November, 1957

NEWARK, NEW JERSEY

Business Capitol of a Business State

The Credit World

Only Publication Serving the Entire Field of Retail Credit

The CREDIT WORLD

REGISTERED IN THE UNITED STATES PATENT OFFICE

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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CIRCULATION OF THIS ISSUE 48.500

Entered as second-class matter at the Post Office at Fulton, Missouri, under the Act of March 3, 1879. Published monthly at 1201-05 Bluff Street, Fulton, Missouri. Subscription $3.00 a year, *to members of the National Retail Credit Association only*. Articles published in The Credit World reflect the opinions of the authors and not necessarily the viewpoint of the National Retail Credit Association. Reproduction privileges of original material are hereby granted, provided usual credit is given. Please advise us immediately of any change in your address to avoid interruption in receiving The Credit World.

Printed in U.S.A., by The Ovid Bell Press, Inc.

ROBERT B. MEYNER
Governor of New Jersey

Credit Is a Necessary Tool Of Modern Living

THE EXTENSIVE USE of credit by the American consumer has become a settled feature of our economy. Like it or not, it is a fact and appears to be with us to stay. The opprobrium that used to attach to buying "on tick" has all but disappeared in the United States. Critics of all forms of instalment purchases are those vanishing people for whom dipping into capital remains a cardinal sin. The arguments for and against credit have been retold a thousand times. The fact remains, however, that the wise use of credit can be supported as a realistic and necessary tool of modern living.

The automobile industry has grown to gianthood on a credit base and credit underpins any number of other enterprises. Those great American totems—the late-model car, the television set, the refrigerator—trace their university to the little book of monthly payment tickets.

My personal inclination is to use credit conservatively. I have by inheritance a deep streak of Swiss frugality and, by experience, a recollection of the catastrophic things that can happen to a country when credit gallops without a bridle.

New Jersey, as a state, lives within its income today and pays as it goes. We have been steadily retiring the state debt and have added not a single penny to it in the nearly four years of which I can speak. At the end of the current fiscal year the state debt will total $86 million, which is $34 million less than when this administration took over. The per capita state debt now stands at $19.00 as compared to a 48-state average of $45.50. This rather good showing received recognition recently when New Jersey received an AAA credit rating from Moody's Investment Service—the political equivalent to being elected to Phi Beta Kappa.

This is not to say that this administration is flatly opposed to borrowing or blind to the usefulness of credit. We have in New Jersey prime examples at every hand of how credit has helped the business and industrial community to an expansion of record size, and has contributed to the enrichment of individual lives. It is rather to say that we recognize a serious responsibility in dealing with other people's money and are determined not to commit that money lightly. When and if we borrow, this policy of restraint will result in our getting the best possible terms.

Credit, increasing the productivity of capital, has put new dimensions to our economy. It would be foolish, however, not to recognize that it is subject to abuse and excess. A mighty element, it rests on an abstract foundation called confidence and this can sometimes be a fragile thing. The people who control the flow of credit have a tremendous responsibility to see that it is used wisely and well, not in terms of immediate advantage but in the long-term public interest. Poor Richard's maxims may need some up-dating but they should not be abandoned outright. ★★★

Julius J. Marion

Retail Credit Association of New Jersey

JULIUS J. MARION

***Second Vice President*, Fidelity Union Trust Company, Newark, New Jersey**

Robert J. O'Hagen

THE RETAIL CREDIT Association of New Jersey, Inc., was founded in 1910 by a small group of dedicated men engaged in the comparatively new field of consumer credit. It subsequently was incorporated in 1918 and became affiliated with the National Association in 1955, thereby placing at the disposal of its membership the prestige and other advantages of N.R.C.A., including its nationally known magazine The CREDIT WORLD.

In passing, we in New Jersey are deeply grateful and feel highly honored in the selection of our Immediate Past President, Earle A. Nirmaier, as Third Vice President of the N.R.C.A. at their recent conference in Miami Beach, Florida.

Today our Association has grown to more than 125 members and includes representatives from the leading department stores, banks, finance companies, attorneys, collection agencies, credit bureaus, automobile agencies, utilities and almost every other field of retail credit. It draws its membership principally from the northern section of the State—mainly in the counties of Essex, Union, Bergen, Passaic, and Hudson.

There are two classes of membership—regular and associate. A single firm or organization is restricted to one regular membership, which is entitled to all privileges. However, any single firm or organization may have one or more associate memberships. This type is entitled to all privileges except the franchise to vote.

The purposes of our Association, which was organized as a mutual exchange for better credit, are as follows:

(1) to bring the members into closer relationship for the purpose of interchanging ideas and rendering mutual assistance in the extension of credit and the collection of accounts based thereon;

(2) to promote good fellowship and a better understanding among credit grantors by holding regular meetings;

(3) to exchange credit information freely and adopt such measures as will work for uniformity and protection in credit granting;

(4) to coordinate and improve the methods of consumer credit and to encourage and maintain a high code of ethics;

(5) to promote such publicity as will educate the public to the importance and value of a good credit standing, the proper use of credit and to the necessity of prompt payment of accounts.

(6) the maintenance of adequate public relations in the field of consumer credit and instalment selling;

(7) to discharge adequately and completely at all times our responsibilities to the communities we serve.

At present we are sponsoring an educational program among the various school systems in our area by furnishing free of charge copies of the booklet "Using Your Credit Intelligently," authored by William J. Cheyney, Executive Vice President, National Foundation for Consumer Credit. In conjunction with this program our Association supplies speakers, films, etc.

Our Association offers its membership a number of services. Bulletins are published regularly and contain pertinent credit information as well as up-to-the-minute news on any current legislation effecting our profession. Collection letters are available to all members at a nominal cost. The Association also serves as an employment bureau for help wanted and help available. These are only a few of the many services at the disposal of our members.

The Retail Credit Association of New Jersey holds five general meetings a year which are held in Newark, the metropolis of New Jersey. These are generally well attended and guests are always welcome at any of our sessions. All factors concerning credit problems are discussed at these affairs and outstanding authorities are invited to speak on timely topics. Forum and Panel discussions, a regular feature of each year's program, are most popular.

In addition, these gatherings help us all to find solutions to many problems that confront us in our everyday work. More important, they give us a chance for the expression of that natural feeling of all—to cooperate with one another. In contrast to the competition which dominates too great a part of our daily lives, at these meetings we have an opportunity to know each other better, to exchange ideas, to share experiences, and to stand shoulder to shoulder—in short, to cooperate in the fullest high sense of the word.

The Annual Dinner Dance, held the second Tuesday in May of each year, is the social event of the year, with the climax being the installation of the new Officers.

The active Committees are as follows: Bulletin, Educational, Legislative, Forum and Speakers, Membership, Public Relations and Publicity, Reception and Hospitality, Auditing, and Annual Dinner Dance.

These standing Committees are active in their duties and report at every meeting of the Association.

The Officers of the Association and their affiliations are as follows: Robert J. O'Hagen, President, L. Bamberger & Co., Newark, New Jersey; John A. Schauer, Vice President, Garden State Credit Bureau, Clifton, New Jersey; Raymond W. Wolfe, 2nd Vice President, Mechanics Finance Co., Jersey City, New Jersey; William Moser, Treasurer, E. A. Kirsch and Co., Newark, New Jersey; William E. Dunkinson, Secretary, Union City Chamber of Commerce, Union City, New Jersey.

Board of Directors: Earle A. Nirmaier, Immediate Past President, W. Wilderotter & Co. Newark, New Jersey; John J. Mooney, Federal Trust Co., Newark, New Jersey; Mervin Wiener, attorney, East Orange, New Jersey; Chas. J. Horn, National State Bank, Newark, New Jersey; J. J. Marion, Fidelity Union Trust Co., Newark, New Jersey; A. Martin Wiener, Abelson's, Inc., Newark, New Jersey; Norbert Clure, National Newark & Essex Banking Co., Newark, New Jersey; Walfred Abrahamson, Public Service Electric & Gas Co., Newark, New Jersey; Alfred S. Roberts, Kresge-Newark, Newark, New Jersey; Conrad C. Legare, First National Bank & Trust Co., Paterson, New Jersey. ★★★

Garden State Credit Bureau, Clifton, New Jersey

Behind the Scenes

JOHN A. SCHAUER

***Executive Vice President,* Garden State Credit Bureau**
***President,* Associated Credit Reporting Bureaus of New Jersey**

EVERY DAY, throughout the United States, new large and small retail establishments begin, what they hope will be, a long and successful career in serving the public in the distribution of goods and services.

While many of these openings take place in the old, established central city shopping districts, by far the greatest majority represent entirely new shopping centers along highways or on land, which a few years ago, was used only to graze contented cows.

New Jersey and especially North Jersey is probably one of the best examples of this type of transition of any place in the country. Great and entirely new centers of distribution have been and still are being built in Bergen, Passaic, Morris, Essex, Union, Somerset and even Hudson Counties. To some extent the same thing is true in the New Jersey area outside of Philadelphia, in the sections east and northeast of Camden.

Migration to Urban Areas

Great migrations from metropolitan to urban areas, as a result of more cars and better highways, plus greatly increased birth rates, will result in many communities in this area doubling their population by 1960. This rapid population increase plus the complete inability of many cities to increase their parking facilities led to this rapid development of new shopping center programs.

Each of these centers consist of three types of corporate entities: one or more large department stores, usually branches of a large metropolitan store; national and regional chains; and the independents who usually operate specialty shops.

Behind the scenes in the opening and continued successful development of these great, new shopping centers is the local credit bureau. Its role and responsibility is actually staggering.

Demand for Credit Service

As a result of these new problems and responsibilities, our state organization, the Associated Credit Reporting Bureau of New Jersey, started several months ago to completely reevaluate all local organizations' structures in order to be able to meet the rapid changes and demands for consumer credit service.

In many cases this will necessitate overhauling the entire corporate, administrative, and mechanical setups and the expenditure of sufficient capital funds to enable the bureaus to use every possible modern mechanization in order to save valuable time, insure greater accuracy and meet the rapidly rising costs of personnel.

Fortunately, partly by luck and because of good planning, our own Garden State Credit Bureau has been more than able to anticipate critical situations before they arose. We have therefore been able to meet all sorts of unexpected demands with the minimum of confusion.

Because we believe our history is a good example of what may be accomplished by any credit bureau with cooperation of credit granters, the following summary is offered for your orientation:

From 1908 to 1948 the Passaic-Bergen Credit Bureau, as we were then known, was operated by the Paterson Chamber of Commerce. The Chamber's Board of Directors also doubled as the Board of Trustees of the Credit Bureau.

Progress had been very indifferent. The Bureau had never made money, and several times during its long but hectic career the Chamber had to contribute to the general expense fund.

In 1947 the Paterson Chamber employed a new Executive Vice President, Edwin J. MacEwan, who fortunately, was familiar with Credit Bureau operations and whom some of you may remember inasmuch as he served as President of the old Columbia Regional Conference in 1935.

One of the first jobs Mr. MacEwan did was to study and evaluate the Credit Bureau and recommend changes in the charter and bylaws to the Board of Directors so that the subscribers to the Credit Bureau became members, and the members of the Bureau elected their own directors, rather than have them appointed by the Chamber of Commerce.

The transformation and results emanating from these changes were apparent immediately. The injection of new blood into the organization, through Directors who were vitally interested in credit and collections, brought about an immediate awareness of the weaknesses of our bureau. A new and experienced manager was hired, and steps were taken to make the bureau stronger by giving our members a better, faster and more efficient all-around service.

Increase in Total Volume

In 1948, when these changes took place, the total volume of the Credit Bureau was $60,000 per year. It is interesting to note that the volume in 1956 was approximately $400,000, and we expect to break the half-million mark at the end of this year.

During this same period of time, our personnel has increased from 15 to 125 persons.

This large increase in volume came about as the result of much planning by the Board of Trustees of the Credit Bureau. The multiplicity of Credit Bureaus in the northern New Jersey area made it extremely difficult for credit managers to secure complete information without calling several bureaus whose territories usually overlapped.

In the latter part of 1953 the directors of the Credit Bureau decided to do something about it. The first step taken was to separate the Bureau from the Chamber of Commerce, and for the Bu-

reau to move to its own building at 429 Getty Avenue, Clifton, New Jersey.

At that time, the bureau covered Passaic and Bergen Counties only. A meeting was then held with the leading institutions in Hudson County and they agreed to file with the bureau a record of all their open accounts, plus their slow and charge off accounts. The bureau stated that they would secure litigation records going back for at least three years, and when all this information was filed, the bureau scope was to be expanded to include Hudson County. This job was completed by March 1, 1954.

Purchased Newark Bureau

The next step was taken on February 1, 1955 when the Garden State Credit Bureau purchased the Merchants Credit Bureau of Newark, which covered Essex and Union Counties. This purchase united two of the oldest and largest credit bureaus in New Jersey, and with the merging of the over 3,000,000 files of both bureaus, into the one set of files in Clifton, facilitated the granting of credit to over three million people in the North Jersey metropolitan area.

Today we feel we have the most modern and fastest growing credit bureau in the country. We directly cover five northern New Jersey Counties, namely Passaic, Bergen, Essex, Hudson and Union, in which approximately 70 per cent of the State's population resides. We occupy a building of 7500 square feet which was erected to our specifications, and plans are now being studied for a second story to be added to the building.

Presently we operate a four position switchboard and a PBX switchboard. Twenty-three teletype machines go directly to our larger users and phones are mounted in each section of the files for fast file service. A bulk board is available for calling in large lists of names. Our files are kept as up to date and as clear of obsolete reports as humanly possible, through the use of a night crew.

In addition to a complete credit service, the bureau also has a fully staffed Collection Department.

The Board of Trustees of the bureau consists of 18 members, elected by the membership annually, and is equally divided between retailers, bankers and a miscellaneous group, and it is to the Board of Trustees of the bureau, that most of the credit must be given for the constant growth and improvement in our bureau. ★★★

Junior Credit Managers' Association

WITH THE first meeting of the Junior Credit Managers' Association, Philadelphia, Pennsylvania, on October 15, 1957, consumer credit entered directly into the senior classroom with the high school student. Wesley Scott of the Philadelphia school system was responsible for suggesting such an organization be established.

Members elected their own officers and directors. Blouse and lapel pins were presented to each member by the Philadelphia Retail Credit Managers' Association.

At the first meeting guest speakers discussed all phases of credit granting, for 15 minutes each. The students were then taken on a tour of the Philadelphia Credit Bureau, the Collection Department, Credit Registry, and the Charga-Plate Associations. Speakers included: George C. Whittam, Philadelphia Credit Bureau; Bernard D. Bodoff, Collection Department, Credit Bureau; Mrs. Margaret Wescott, Credit Registry Association; and Mrs. Elmira Doughten, Charga-Plate Association. The directors of the Credit Managers' Association were present along with Wesley Scott and Fred Kane of the Philadelphia school system. Arthur A. Cote, Vice President of the Credit Managers' Association, acted as chairman of the meeting.

Mimeographed summaries of the activities of the various divisions of the Credit Bureau were given each student. They were prepared by: Charles F. Sheldon, Manager; George C. Whittam, Assistant Manager; B. D. Bernard, Collection Department; Margaret Wescott, Credit Registry Association, and Elmira Doughten, Charga-Plate Association.

Meetings are held at central city locations on the third Tuesday of each month from 3:45 p.m. to 5:30 p.m. There are no dues or any expenses except carfare. The city's outstanding credit executives will be hosts, speakers, and discussion leaders.

Today's Thinking on Revolving Credit

A. S. ROBERTS

***Assistant Treasurer,* Kresge-Newark, Inc.**
Newark, New Jersey

IN THE FOLLOWING paragraphs an ideal revolving credit plan containing the best features of a number of plans now in use in stores throughout the country will be presented. Before presenting this imaginary plan, it would be best to review some of the trends in revolving credit, the problems raised and the possible solutions to these problems.

Revolving Credit Trends And Problems

(1) The rapid growth of revolving credit in department stores since the end of World War II.

(2) The tremendous sales potential in revolving credit especially from families in the moderate and medium income brackets.

(3) The use of various types of sales promotion efforts to realize revolving credit sales increases.

(4) The need for flexibility in handling revolving accounts while still retaining firm control of them.

(5) The higher operating costs generated by revolving credit—costlier credit reports—more collection and authorizing personnel—greater bad debt losses.

(6) The financial strain arising from increased revolving credit sales—longer repayment terms—higher receivable balances—lower collection ratios—dwindling cash sales—higher interest rates on bank borrowings.

Possible Solutions to Revolving Credit Problems

Some of the solutions in use by the various stores are:

(1) Greater emphasis on and promotion of 30-day charge accounts.

(2) The shortening of revolving credit terms.

(3) An increase in revolving credit service charge rates.

(4) Greater selectivity of credit risks.

(5) Sales of accounts receivable to banks or other lenders.

The Ideal Revolving Credit Plan

From this background the proposed ideal plan can be projected. As for the name of this plan, the designations "optional" or "flexible" charge account seem to express the basic idea better than any other. The plan would, therefore, give the customer the option of settling within 30-days without service charge as in the J. L. Hudson Plan. The application and agreement would clearly state the 30-day optional feature and then provide a schedule of payments for amounts to be carried beyond 30 days. The amounts would be grouped approximately in $50 ranges, such as $50 to $100—$100 to $150—$150 to $200.

A specific payment such as $10, $15 and $20 would be shown for each range. The rate of payment would liquidate balances at the top of the range in 10 months and those at the bottom in six or seven months. This, of course, is similar to present day chart plans except that the proposed ranges are somewhat broader and there is *no provision for reduction of payments as the balance reduces.* This is one of the weaknesses of present chart plans. The payment remains fixed unless the Credit Department permits the customer to charge into the next range. It will then notify her what the new monthly payment is. There would be no need for a chart on the bill. These tend to encourage the reduction of monthly payments as the balance reduces.

Kresge-Newark, has completed its first aging of revolving credit accounts on the 10 month plan (former terms were six months). Our deliquency percentage was smaller by 7 per cent. This indicated to us that customers actually need those additional months, especially on higher balances. For this reason it seems that the ideal revolving credit plan have a maximum of 10 months.

Interviewing

Under the proposed plan customers would be asked to state their maximum requirements as they can best determine them when opening an account. The interviewer would ask the customer to estimate these requirements for the *peak buying season* but would also explain that the customer should feel free to request higher amounts later on if the original estimate was not high enough. The purpose of this approach would be to give the store an effective talking point if the account gets out of line in the first few months. At the same time it would assure the prompt-pay customer that the store's credit policy is flexible and that she need not feel strictly bound by her original request.

Approving New Accounts

Under the proposed plan new applications would be screened with extreme care. The policy of "greater selectivity of risks" mentioned earlier would be uniformly followed. The "overbuying" and "underpaying" account is on the rise. The time to eliminate this hazard is before the account is opened. Extreme caution should be exercised with the family whose income has been pledged in large proportion to instalment payments. One more account may be too many. We should bear in mind that in some cases we are actually benefiting the customer when we reject or postpone an account.

Promoting the Plan

The proposed optional or flexible

Committee Appointments

THE FOLLOWING committee appointments have been made by President Taylor for 1957-1958. These are in addition to those listed on page 20, September 1957 CREDIT WORLD:

CREDIT WORLD

Chairman, Earle A. Nirmaier, W. Wilderotter & Company, Newark, New Jersey.

District

1. Mrs. Grace B. Michaud, Michaud Fuel Company, Lynn, Massachusetts.
2. R. M. Severa, Credit Bureau of Greater New York, New York, New York.
3. A. J. DeMarco, Family Finance Corporation, Miami, Florida.
4. Mrs. Jo. Hubbard, Sterchi Bros. Stores, Chattanooga, Tennessee.
5. Mrs. Dorothe M. Bolte, Lyons Bros. Lumber and Fuel Co., Joliet, Illinois.
6. Lily Person, Plymouth Furs, Minneapolis, Minnesota.
7. Roy E. Teter, Jenkins Music Company, Oklahoma City, Oklahoma.
8. Dean Ashby, The Fair, Fort Worth, Texas.
9. Melvin Schumpert, Schumpert's, Inc., Portales, New Mexico.
10. Charles R. Buchanan, National Bank of Washington, Tacoma, Washington.
11. Harold Wade, John Breuner Company, Oakland, California.
12. Mrs. Gertrude Hatcher, Covington Hardware & Furniture Co., Covington, Virginia.

Educational

General Chairman, David K. Blair, H. Liebes & Company, San Francisco, California.

Chairman, Consumer Education, Edward L. Schreiber, Schreiber-Miller Furniture Company, Galveston, Texas.

District

1. Alexander J. Harding, John H. Pray & Sons Company, Boston, Massachusetts.
2. Fred C. Adams, Public Service Company, Burlington, New Jersey.
3. John A. Broom, Jr., Cate-McLaurin Company, Columbia, South Carolina.
4. Stanley C. Schulkens, Labiche's, Inc., New Orleans, Louisiana.
5. Lillian Lawrence, Gustke & Sons Furniture Co., Battle Creek, Michigan.
6. William A. Benson, Schuneman's, Inc., St. Paul, Minnesota.
7. Wm. R. Arendt, Credit Bureau of Greater Little Rock, Little Rock, Arkansas.
8. A. J. Carnesi, First National Bank, Brownsville, Texas.
9. Chapin S. Carnes, Credit Bureau of Albuquerque, Albuquerque, New Mexico.
10. Kenneth W. J. Reid, Credit Bureau of Regina, Regina, Saskatchewan, Canada.
11. Fred B. Bremer, Union Oil Company, Los Angeles, California.
12. Charles F. Sheldon, Philadelphia Credit Bureau, Inc., Philadelphia, Pennsylvania.

Chairman, Credit Granter Education, John A. Broom, Jr., Cate-McLaurin Company, Columbia, South Carolina.

District

1. Alexander J. Harding, John H. Pray & Sons Company, Boston, Massachusetts.

(Continued on page 9.)

charge account plan lends itself exceptionally well to credit sales promotion effects of all kinds. It is most important that all media—newspaper advertisements, brochures and bill inserts—explain the plan carefully in language easily understood by the average person. Outside agency solicitors should be extensively briefed on how to present the plan most effectively to prospective customers. Salespeople should likewise be thoroughly trained on how to suggest and explain the plan. They should be cautioned, however, to refer customers to the Credit Office for full explanation if there is any possible misunderstanding of the plan. Every piece of written material and every personal contact in connection with the plan should stress the option of 30-day settlement without service charge. The advantages of greater "open to buy" and smaller service charges to be gained by paying more than required should also be emphasized. These elements have been inherent in practically all exisiting revolving credit plans. Only recently have they been properly emphasized however. J. L. Hudson, The Federated Stores, Martin's of Brooklyn and L. Bamberger and Company of Newark are a few of the stores that have recently done so.

Service Charges

Service charge rates on an ideal revolving credit plan should be no more than one and one-half per cent and no less than one per cent. There have been reports in trade papers that some stores have been considering one and three-fourths per cent. The warning given by one of the outstanding credit executives in the country bears repetition. "The department stores should be careful about their service charge rates," he said, "I think more and more consumers are borrowing money from banks at low interest rates and spending this money in discount houses." The factors that should determine service charge rates are: operating expense levels, competition and the legislative climate in the state in which a store is located. It is interesting to note that New York state has passed a law limiting, among other rates, revolving credit service charges to one and one-half per cent on balances up to \$500 and one per cent on balances over \$500. It might be well for more stores to charge late charges on 30-day accounts rather than raise rates on revolving accounts.

Collection Billing and Authorizing

These essential functions must be performed efficiently and intelligently in all revolving credit plans but especially so for a liberal flexible or optional charge account plan. Good authorizing and prompt filing of media will catch the load up account quickly. Prompt billing and regular collection follow-up will improve collection ratios and limit bad debt losses. When the pre-billing, billing and collection units fall too far behind schedule, we not only encourage load ups and slow pay accounts, we also discourage the prompt paying customer who wants to pay her accounts promptly.

Conclusion

There is no doubt that the new optional, flexible and chart plans offer definite values for stores and their customers if used wisely. These plans provide a maximum of purchasing power which must be intelligently controlled by a well trained credit and collection staff. The objective for this staff is to maintain sales and collections at profitable levels without permitting customers to become over extended. ★★★

Major Appliance Financing in the Garden State

RICHARD S. ASHLEY

***Vice President,* Fidelity Union Trust Company**

Newark, New Jersey

THE FINANCING of major electric and gas appliances in New Jersey is today handled principally by general or "commercial" banks through their Consumer Credit departments. Manufacturer-owned finance companies also handle a fairly substantial volume of this business, with consumer finance companies participating to a lesser degree.

Commercial banks in the "Garden State" initially entered this field of financing when major appliances qualified for Federal Housing Administration insurance in the nineteen thirties. Later, when the F.H.A. guarantee was withdrawn, a number of these banks pioneered appliance financing on their own plans. Results proved satisfactory and today major appliance financing is one of the varied banking services offered to individual customers by the vast majority of the state's commercial banks.

Appliance paper is purchased through retail stores usually specializing in this type of business. A Conditional Sales Contract between the purchaser and the appliance store is the document used, except where the transaction is on a personal loan basis. These contracts, after credit acceptance by the bank, are endorsed and sold to the banking institution.

Variety of Plans

A variety of plans are offered to appliance dealers by New Jersey's banks, with the most popular arrangement calling for purchase of the contracts on a "without recourse" basis. In most of these cases the dealer enters into an agreement with the bank to pay for repossessed items at 50 per cent of the net unpaid balance on the contract. The bank in turn handles all collection activity on delinquent accounts, including repossession of merchandise where necessary and delivery of same to the dealer.

A few banking institutions in New Jersey buy contracts on a "without recourse" endorsement without any obligation on the part of the dealer to repurchase repossessions. In these cases the banks liquidate such merchandise on their own account.

Under another method of financing in use here the appliance dealer sells contracts to the bank on a "full recourse" basis. The bank undertakes to collect on past due accounts, but upon failure to do so calls upon the dealer to repurchase the contract for the net unpaid balance.

Banks and appliance dealers in the state also have a variety of arrangements for dealer participation in the finance charge, the percentage depending on the extent of dealer liability in connection with the sale.

Wholesale financing of a portion of the dealer's inventory is undertaken by our banks. This is usually handled by means of Trust Receipts signed by dealers and representing their agreement to hold merchandise belonging to the bank "in trust" until sold. These documents call for the Bill of Sale to be assigned by the manufacturer or distributor to the bank. Under these arrangements the dealer also signs a note for 90 per cent of the invoice amount, as a 10 per cent equity is normally required of him. On occasion, when the dealer requires assistance on inventory financing of merchandise which he already owns, a chattel mortage and note are used.

Terms of these wholesale loans generally allow a ninety day period without reduction in their amounts. Open items are thereafter reduced by 10 per cent each month until six months after the loans' inception. At this time the obligation is paid off.

Terms of financing offered the consumer have been steadily liberalized by our banks on the basis of experience. In the early days maturity was generally restricted to from 12 to 18 months and down payments of as much as 25 per cent were often required. Today the general practice in financing so-called "white goods"—refrigerators, washing machines, ranges, clothes dryers and the like—calls for a 10 per cent down payment with a 36 month maturity. In the television field the terms average a 10 per cent down payment with a 24 month maturity. Radios, tape recorders and other miscellaneous items are usually handled with a 10 per cent down payment and an 18 month maturity.

The larger banks in New Jersey today operate carefully planned programs for the development and maintenance of volume in the highly competitive appliance financing field. One or more specialized sales representatives are usually assigned by a banking institution for contact and liaison work with appliance dealers. Their job consists not only in selling but also in protecting their banks against loss by a continuous check on the financial health of dealer organizations.

We at the Fidelity Union Trust Company have found that a comprehensive training program is essential for success in the complex consumer credit field. It is our policy to hire young men and women for work in this field and to put them through extensive indoctrination in our Collection, Credit and Accounting Divisions. Most of New Jersey's larger commercial banks follow this practice. Several years of experience are usually required before an individual is equipped to supervise a portion of consumer credit operations. In our opinion there is no short cut to this program, and banks attempting to operate consumer credit departments without such a training program may well find themselves sustaining substantial losses.

Bank Credit Department

The bank credit department is usually composed of one or more credit men and several credit investigators. Applications for credit, after verification of their statements by the investigators, are passed to the credit men for approval or rejection. Each credit man is rated by the bank on the basis of his experience and proven judgment and assigned an individual credit limit. Amounts in excess of this limit are forwarded to the Credit Manager himself for decision.

Experience has shown that no part of the credit man's training is more valuable than a term of service in the Collection Department. Desk collection men and collection ste-

(Turn to "Financing," page 31.)

"New" Newark on the Way Up

H. BRUCE PALMER

***President*, Mutual Benefit Life Insurance Company**
***Chairman*, Newark Economic Development Committee**

IN 1953, as a result of the leadership of business, labor and government, the citizens of Newark adopted a new city charter giving the community a strong Mayor-Business Administrative form of government.

The wisdom of this governmental reorganization is borne out by:

(1) National recognition of Newark by the National Municipal League in 1955 as the "All-American City";

(2) The up-grading of Newark City Bonds to an "A" Rating by Moody's in 1956; and

(3) A down payment of $200,000,000 on the "New" Newark for new construction completed or underway for home offices, industrial plants, Port Newark and Airport installations, hospitals, schools, and public and private housing; and

(4) A revitalized spirit in the entire community.

The confidence inspiring this action is bolstered by the outlook for future development of the Newark-centered Northern New Jersey area as a national and international center of trade, commerce, and manufacture. A recent report of the Regional Plan Association predicts great population growth in Northern New Jersey.

One of the greatest challenges to original and creative thinking lies in the newest frontier in America today—the replanning, rebuilding, and renewing of our central cities. The patterns of urbanization and our industrial exchange economy place heavy emphasis on efficient transportation.

At the transportation vortex of 41 states aimed at the world's largest industrial and consumer markets, Newark's greatest single asset is a series of transportation channels unmatched by any city in the world. Newark has a seaport and airport as contiguous land masses bisected by the world's busiest highway system, served by the world's busiest railroad trackage and keyed to the world's busiest C.A.A. Airlane. The world's largest truck terminal and the world's largest bus transportation system round out a list of superlatives that are pivotal to the future strength and growth of Newark.

Unique teamwork among the new Mayor-Business Administrator city government, labor leaders and businessmen has sparked the resurgence of Newark. The cohesive force has been supplied by the Newark Economic Development Committee, an advisory group of top figures from the business and labor community appointed by the Mayor.

Backstopping this renaissance which is bringing a spectacular face-lifting to downtown Newark, industrial life on the meadows and redevelopment where slums once stood is the strength and depth of Newark's financial resources. Newark is the financial capital of New Jersey. Its total financial resources for 1956 represented a "whopping" 69 per cent of the total capital in the state. With 22.7 per cent of the bank and savings and loan resources, 99.1 per cent of life insurance resources, and 59.7 per cent of casualty insurance company capital, Newark can stand behind its practical and realistic redevelopment projects.

To help guide the city government in making the most of its resurgence in concrete, steel, and civic spirit, five of Newark's top financiers accepted appointment by the Mayor to the Newark Fiscal Advisory Board. Carrol Shanks, President of Prudential Insurance Company of America is Chairman of the Advisory Board. Other members include W. Paul Stillman, President, National State Bank, Horace K. Corbin, Chairman of the Board, Fidelity Union Trust Company, Thomas C. Wallace, President of the Bank of Commerce and John E. Manning, a broker. These gentlemen have rendered vital service to the government, particularly in advising the city on its handling of public bond issues.

Under the surveillance of competition of other cities and regions, Newark is driving deep wedges into its obsolescent plant, creating new ratables and creating new employment. A "New" Newark is on the way up. ★★★

(Continued from page 7.)

2. Fred C. Adams, Public Service Company, Burlington, New Jersey.
3. D. D. Godfrey, Bank of Charlotte, Charlotte, North Carolina.
4. Kenneth Uffman, Credit Bureau of Baton Rouge, Baton Rouge, Louisiana.
5. Lillian Lawrence, Gustke & Sons Furniture Co., Battle Creek, Michigan.
6. Paul Bryant, Des Moines Morris Plan Company, Des Moines, Iowa.
7. Anna Mae Larrance, Harzfeld's, Kansas City, Missouri.
8. A. J. Carnesi, First National Bank, Brownsville, Texas.
9. Wendell B. Romney, Z.C.M.I., Salt Lake City, Utah.
10. A. L. Reid, Dairy Cooperative Association, Portland, Oregon.
11. Virgil Phillips, Golden State Milk Company, San Jose, California.
12. Howard A. Clarke, Gimbel Brothers, Pittsburgh, Pennsylvania.

Membership

Chairman, J. C. Gilliland, Pullman Trust and Savings Bank, Chicago, Illinois.

District

1. *Chairman*, R. E. Melander, Albert Steiger Co., Springfield, Massachusetts.
   Co-Chairman, Frances M. Hernan, Massachusetts General Hospital, Boston, Massachusetts.
2. *Chairman*, Mrs. Elsie M. Taylor, Williams Tire & Rubber Co., Inc., Troy, New York.
   Co-Chairman, Earle A. Nirmaier, W. Wilderotter & Company, Newark, New Jersey.
3. *Chairman*, John A. Broom, Jr., Cate-McLaurin Company, Columbia, South Carolina.
   Co-Chairman, E. E. Jones, Citizens and Southern National Bank, Atlanta, Georgia.
4. *Chairman*, E. M. Davis, General Gas Corporation, Baton Rouge, Louisiana.
   Co-Chairman, Robert J. Beck, J. Fred Johnson & Co., Kingsport, Tennessee.
5. *Chairman*, R. W. Schmidt, Reifer Furniture Company, Lafayette, Indiana.
   Co-Chairman, Donald E. Woodrick, Smith Oil & Refining Company, Rockford, Illinois.
6. *Chairman*, L. A. Tasker, Western Finance Company, Winnipeg, Manitoba, Canada.

(Continued on page 25.)

A Financing Service for the Independent Dealer

SIDNEY H. KANTROWITZ and RAYMOND W. WOLFE
Mechanics Finance Company, Jersey City, New Jersey

WITH THE GROWTH and development of consumer credit extending to fields where it had hitherto been unknown, the independent retailer found himself at a disadvantage with respect to his ability to capture a portion of the business growing under this class of purchase.

His disability was many-faceted:

1. The capital involved impaired his availability to tie up sufficient cash for both the purchase of additional merchandise created by the increased volume of business, and the amounts represented by accounts receiveable. Lay-aways not only did not answer either capital problem but also presented an additional problem of space, and the seller was always exposed to the danger of cancellation prior to adequate payment.

2. His lack of experience in credit thereby resulting in both he and his employees being insufficiently schooled in order to determine when to grant or not to grant credit within a reasonably liberal sphere.

3. Lack of adequate bookkeeping facilities to keep proper records, both as to space and skilled help.

4. Lack of knowledge of collection methods, or, if availed of the knowledge, the inability to devote sufficient time without the employment of additional help to properly follow up collection efforts—plus costs of proper dunning. Further, when an account reached the stage of legal action, because of the limited volume of such litigation, it was extremely difficult to obtain legal services except at substantial fees thereby magnifying his loss ratio.

5. Because of the limited area serviced by the store, coverage of accounts was likewise limited and presented a greater problem of "Skips."

6. Generally higher costs on credit clearances because of small volume.

7. Because it was his own money involved his liberality in granting credit would be impaired or greater costs would be entailed in more minute credit checking. This also sometimes carried with it inquiries which on occasion were embarrassing to the buyer.

8. Inability to meet any or some of these problems at all during peak buying periods.

9. Necessity of becoming an "expert" in fields to which he was not trained or of dividing his talents between that of a merchant and that of one in the credit field.

10. Difficulty in keeping abreast with and conforming to changes in law, business conditions, and trends in the credit field.

Department stores, mail order houses, chain stores and larger operators, again, because of volume, could afford the departmentalization necessary for proper service.

Even where capital was not a particular problem, as where the retailer might borrow on his credit, he nevertheless found that his greatest requirements for the creation of budget accounts came concurrently with the necessity of paying for his merchandise and consequently strained his credit facilities. At the same time, having geared himself to this larger operation, he was always at the mercy of his bank or credit granter withdrawing this aid at the most needful period.

Recognizing these, and many more problems too numerous to detail, the Mechanics Finance Company set out to offer these services at a fixed cost to the retailer and by virtue of its volume, experience, and operation within its own limited field, was able to offer these services at "wholesale."

In so doing, the retailer was, among other things, able to retain his own individuality (each customer receives a receipt book with seller's name and address imprinted thereon), devote almost all of his attention to merchandising (the field of his own choice and to which he was best adapted), retain his customer as his own, since payments on the budget account are made at the store of original purchase (it has been said that a cash customer is anybody's customer, but a budget buyer belongs to the store), guarantees to himself the exposure of the buyer to additional buying (the buyer presumably returns to the store at frequent intervals to make payments on the indebtedness, the buyer is available at the premises where additional sales may be made; to assist the buyer in obtaining a loan from a lending institution, the customer is driven elsewhere to make payments), relieve himself of the animus which arises from vigorous dunning and even improve customer relations by "interceding" with the finance company on behalf of the delinquent, and, finally, have his delinquents made current because of "coverage" and prevent "runaway buying" by individuals.

How is all of this accomplished? Because of the great volume, each step has its own department and wherever possible each step is mechanized.

After the purchase has been determined at the store level, a simple application for credit is taken. The store telephones this application to the company. Foreign exchange lines are maintained to minimize the cost of the calls from widely separated areas. These calls are handled automatically so that in certain instances one operator may monitor five calls at one time. Electronic secretaries are used after business hours (which are 9:00 a.m. to 9:00 p.m. weekdays and 9:00 a.m. to 4:00 p.m. on Saturdays) so that messages and applications may be called in at night and on holidays and are picked up and transcribed the first thing on the next business day.

After transcription of the application, it is checked against the company's files. Here, because of the vast volume, experience on almost 2,000,000 names is immediately available and in most cases the application may be processed at once. Where no previous experience has been had, clearances are made through the local credit bureau. Here again mechanization comes to the fore since these facilities are serviced, both to and from the credit bureau by teletype. After verification of employment and a check of credit references, where indicated, the schooled and experienced credit department passes upon the "yes" or "no" or quantity of credit. All new applications called in before 4:00 p.m. on weekdays and 1:00 p.m. on Saturdays are reported back to the dealer the same day. The return calls are dialed automatically by "Telerapid."

When the credit has been accepted, the dealer delivers the merchandise and presents his "paper" for payment. This paper is now processed. Files are examined to determine whether the company had previous-

ly agreed to purchase the paper in the form and amount as presented. If so, an account in now set up. The dealer's paper is accumulated in bulk and machine entries are made on ledger cards and receipt books simultaneously.

Next the paper along with the ledger card and book, move to the checkwriters, who, on highly mechanized equipment, make a check with all of dealer's paper so sold, entered with name and number of account, amount of gross purchase, amount of discount and net amount. Accumulated totals in the machine carry total balance to the amount of the check.

It then passes to the typing department where on special duplicating carbon machines all pertinent information is typed once. The information is then duplicated to the index card, ledger card, receipt book and pocket for storing of purchased paper. Of this a small piece, perforated, containing the name and address of the account, account number and dealer's name (for identification to the customer on subsequent correspondence especially where the customer has more than one account) is torn from the master and inserted in a "cut out" on the ledger card. The ledger card now becomes an "Addressing Master." Both index and ledger card are punched for automatic numerical sorting. Index files are broken down into 1,000 divisions from A to Z and each 1/1000th break down carries an additional 10 part first name break down. Receipt books are mailed to the customer by use of inserting machines (automatically inserts book into envelope) and mail machines (automatically seals, stamps with postage and stacks), automatic tieing machines bundle postage for postal area destination.

The ledger cards are punched for file number, area number, dealer number and payment period, and are now put in our files. Files are of the rotary type which permit storage of many times more cards in same space as the flat tray style. Payments are generally made to the dealer who, being furnished with all necessary other paraphernalia, has a "Peg Board" which permits him with one entry operation to enter payments on the customer's receipt book, his own ledger card, original and copy of payment sheet, one of which ultimately is forwarded weekly to the company with a check for the amount of payments represented thereby. Our system permits all of one dealer's customer's cards to be removed from the files in bulk. Those cards for which payments appear on the dealer's collection sheets for the current week are pulled for machine posting. Those accounts for which no payments are received are treated for delinquency. Here the cards have a slight parting of the way. Those which are posted have the current "payment hole" cut so that subsequent delinquency attention is guided thereby. As the cards are posted they are examined either to remove "paid up" cards or to determine whether proper payments are being made. Those upon which proper payments are not being made are noticed appropriately. These cards ultimately meet with the delinquents for automatic sorting. The delinquents by this time have been examined by an experienced and schooled crew of "notice senders" who determine whether and what notice to send. Over 100 slots are available for almost any type of attention. When put in these slots, the cards are marked so that subsequently the particular action of the account is noted.

Special machinery created by our own staff automatically addresses this mail at a rate of about 200 per minute. This is made possible by the use, as aforementioned, of the ledger card as the "addressing master." The cost of the "master" is almost negligible and presents no problem for changes of address, etc., and is available at the moment any action is determined to be made on the ledger account. Other patented items developed by our own staff are spirit duplicator "clips" which permit selectivity of masters for single impressions, interest factor computing charts, which find the factor without computing the time elapsed period. All of these innovations have been introduced into the system so that mechanization or reduced labor is effectuated.

Cards ultimately receive automatic numerical sorting and are returned to files all of which permits theoretical individual attention on each of 200,000 cards on a weekly basis.

The management is rather proud of its achievements and like a doting parent is happy to show its child perform and would welcome any inquiry that will help the industry. ★★★

Financing Pleasure Craft

CHARLES J. HORN

***Vice President,* The National State Bank of Newark**
Newark, New Jersey

HAVE YOU ever sailed on the open seas with the warm sun beating down upon you and felt the salt spray upon your brow; or sat in the stern of a skiff waiting anxiously for the "big one" to hit the bait; or perhaps you may have cruised in the calm waters of rivers or bays or just paddled on some lake or drifted lazily in a row boat. Perhaps, because the writer has always had a love for the open waters and has experienced all the thrills of the sea, he lent a sympathetic ear when an old friend who was just starting a marina asked, "Why isn't there financing available for the boating industry just as any other industry?" Here was an industry that goes back many hundreds of years, yet an industry that has had its financing difficulties throughout. The major fleets of the world are either government owned or government subsidized.

A New Experiment

In our retail end of the marine business we are interested primarily in small boat or pleasure craft financing. Until fairly recently marine financing was a field into which few dared venture. Boating was looked upon as strictly a richman's folly or a carefree and irresponsible individual's luxury. It was thought of as a risk not only subject to economic conditions but a risk that was continually at the mercy of the elements. Few banks had any desire whatsoever to finance boats regardless of how normal the risk. Experience of lenders in the field have proved how wrong this thinking has been.

Why this sudden interest in boating? Certainly, high levels of employment and income have urged many to boating. Others want to get out into the open away from the crowded highways. Boating is now a family sport. People from all walks of life are now boating enthusiasts; laborers, skilled workers, office workers, shopkeepers, professional men, each satisfying his own likes or buying what his income will permit. The person buying a boat today is no different from any other purchaser buying on the instalment plan, except that he possibly gives more thought to his purchase and puts greater pride in it.

Outboard boating has become America's most popular sport in the last decade. In 1956 well over 16 million people, approximately 10 per cent of the nation's total population enjoyed its recreational features afloat and there is every indication that the sport will continue to grow in popularity in the years ahead.

Prior to 1930 the outboard motor was used primarily for racing or commercial use. By 1940 it had become an essential part of the fisherman's gear. In the year preceding World War II fishermen purchased 85 per cent of the outboards sold. The war brought a temporary halt to the growth of the pleasure boating industry, but, by 1950 a new trend in outboard boating became apparent. While sportsmen were (and still are) the biggest buyers of outboard equipment, thousands of the nation's families are taking to the waterways to enjoy every facet of the sport. Reflecting the phenomenal growth of the popularity of boating, unit sales of outboards rose from 290,000 in 1951 to 700,000 in 1956 and the total number of outboards in use grew from a little over one million to more than five million. With this growth came a horsepower race similar to the one staged by the automotive industry. The combination of family participation in outboarding and increased horsepower brought a new look to the sport. Boats were marketed with wide beams, upholstered seats, various eye appealing color combinations, convertible tops, remote controls, all beamed to the enjoyment of the entire family rather than to an individual. The feminine touch certainly had a lot to do with many of the changes. All this has helped to make boating what it is today. The outboard purchaser of yesterday is the inboard buyer of today.

What kind of credit risk is the boat purchaser? To instalment lending officers the elements of risk involved in the extension of credit are well known; poor moral background and character, lack of proper regard for obligations, poor type of employment. An analysis of the type of purchaser involved in boat ownership will reveal that the boating enthusiast is a better than average credit risk. It is accepted that the majority of families do not extend themselves beyond their means and have the good judgement to buy the commodity that is priced in line with their income and budget. The wide price range of boats among the many types available makes it possible for any family to own and enjoy without undue strain on their finances.

Boat financing, like other types of instalment lending, involves underlying principles in evaluating the risk. The three "C's" of instalment credit lending; character, capacity and collateral are as much present in boat financing as any other type except that the collateral requires additional consideration. There are no published guides which list the value of boats and the bank must, if it is to give consideration to the collateral as a factor in passing credit, have the boat surveyed and appraised to determine its market value.

In new boat financing the bank has available, or the information is readily obtainable, data regarding cost of the various types of boats. An appraisal or survey is a most important phase in the financing of used boats. Naval architects and marine surveyors are available to make professional appraisals for a fee. It is recommended where doubt exists, and in all cases where financing the purchase of a high priced boat, that a professional surveyor be retained by the lender. It is common practice when buying and selling yachts that a professional survey be made available. In financing smaller, lower priced boats, banks may rely upon dealers for an estimate of reasonable value or a survey may be made by one of the marine insurance companies, most of whom maintain staffs of professional appraisers.

What kind of a lien can be attached in financing a boat? There are no Federal Regulations for recording liens on undocumented boats; the Coast Guard's responsibility being confined to registration and numbering. The Commissioner of Customs is responsible for the documenting of vessels under navigation

law. Documenting of private boats is not general unless the boat is in excess of 40 feet and five net tons. In the case of a documented vessel, a ship's mortgage may be used. If the vessel is eligible for documentation, the lender should endeavor to have the owner obtain the proper documents so that the bank will be in a position to obtain a ship's mortgage. An ordinary mortgage has no status of a maritime lien and is subordinate to other liens and is subject to the chattel mortgage laws of states in which they are made. Under the Ships Mortgage Act of 1920, the lien may attain the status of a ship's mortgage by compliance with certain conditions. A preferred mortgage is a maritime lien and has precedence over other liens, ranking in priority from the time of recording.

The chattel mortgage will probably be the lien instrument most often used in direct boat financing. The provisions in this mortgage will be subject to the statutes in the states where used, but the lien instrument on the boat requires some added information for the protection of the lender. In addition to the usual provisions in the chattel mortgage it is recommended that the following facts be clearly stated: the address where the boat will be stored during the winter months, the summer mooring location, a complete description of the boat including name of manufacturer, year built, model, length, serial number of the hull, type or make and model of engine, engine number, name of the boat and the Coast Guard number.

Conditional Sales Contracts

The conditional sales contract will probably be used in dealer originated financing. These forms should include all of the descriptive and identifying information generally set forth as well as the information previously mentioned. The various state statutes provide the place where the mortgage or conditional sales contract is to be filed or recorded. For the added protection of the lender, the form should be completed in multiple copies and recorded in the proper places as state laws or the bank's counsel may determine. In the State of New Jersey it is customary to file the document in the county in which the boat is docked during the boating season and in the county where the boat is stored during the winter season.

Like any other form of instalment financing, in order to develop a substantial volume of dealer paper it is necessary to set up floor-plan arrangements. These are generally handled on either a trust receipt basis or wholesale chattel mortgage, depending on the arrangements with the manufacturer and dealer and in accordance with the state laws governing such transactions. Floor-planning of marine items is somewhat different in the Northern climates than elsewhere in that the dealer acquires his new models in the Fall and does not dispose of his stock until late spring, generally clearing his line in late July or August. Very few sales or deliveries are made during the winter months. Some banks require a down payment of 10 per cent to 20 per cent of dealer cost and monthly curtailments of 10 per cent after 90 days with the item paid in full in six months. Our bank has been highly successful in our operation by obtaining a 20 per cent down payment but not requiring curtailments should the boat remain unsold until July 1, August 1 and September 1. The boat not being sold in the selling season, we will carry it over inasmuch as the dealer's equity has increased to 50 per cent. It has been our experience that we have had few items held over from season to season as the dealers will sacrifice such merchandise rather than tie up the much needed working capital. Rates for wholesale financing generally average about one-half per cent per month. In some instances where the bank is floor-planning outboard motors, small additional monthly carrying charges are made. Like any other wholesale financing plan, it is imperative to have periodic floor-plan checkings. Any irregularities developed should be a danger signal to immediately sever connections with the dealer.

The basis on which a bank will discount paper for a dealer is, of course, predicated upon bank policy and the competitive factors involved. Many banks engage in marine financing purchase paper on full-recourse or under a repurchase agreement. Under the latter plan it is incumbent upon the bank to make physical repossession and deliver the boat to the dealer's yard and clear title before the repurchase becomes effective. In consideration of the dealer's liability or for originating the paper the bank may set up a reserve account on behalf of the dealer. This reserve credit generally represents a fixed percentage of the finance charge.

Terms on marine financing differ widely. Many banks require purchaser equities of 33⅓ per cent to 50 per cent and extend maturities of 12 to 60 months. Our own bank will accept down payments of as low as 25 per cent with a general maturity of 36 months. On larger boats involving financing of over $10,000, maturities of 60 months are not uncommon. Rates too are a matter of bank policy and competitive factors. Here rates are somewhat higher than in the automotive field with 6 per cent add-on being the usual charge on amounts up to $2,500 or $4,000. Thereafter the rate declines to 5 per cent but some banks reduce the rate to 4½ per cent on amounts over $6,000 or $8,000.

While the financing institution may exercise good judgement in passing credit on boat financing transactions and take all the necessary precautions to protect themselves from a loss due to bad credit, there are hazards involved over which neither the lender nor the purchaser has any control. These are the "Acts of God"; weather, fire, accident and explosion, against which it is strongly recommended that the lending institution protect itself by insisting on proper insurance coverage.

Kinds of Insurance

The hazards covered in the most usual form of yacht policy, known as full marine, for all practical purposes are divided into two parts, Hull Insurance and Protection Indemnity. The Hull Insurance part of the policy provides protection against physical loss or damage to the vessel, including the hull, machinery and any other equipment used for the operation and maintenance of the yacht. The vessel is insured against loss or damage caused by weather, grounding or stranding, sinking resulting from an insured peril, fire, explosion, collision with other vessels or objects, assailing thieves, theft, and many other items too numerous to mention at this time.

Protection and Indemnity insurance covers all the liabilities of the owner with respect to property damage and loss of life or personal injuries to any individual in connection with his ownership and operation of the boat. Limits of liability can be arranged for the various amounts but not less than the value of the boat and limits are stated in the policy. The premium is based on the value of the yacht.

Marine policies are "valued policies" which means that the value of the vessel is agreed upon between the company and the assured and the value stipulated in the policy. The amounts of insurance are also stipulated separately and it is recom-

(Turn to "Pleasure Craft," page 31.)

Automobile Financing—Direct and Indirect

CONRAD C. LEGARE

***Vice President*, First National Bank and Trust Company of Paterson**
Paterson, New Jersey

THE QUESTION often asked by a bank about to go into the automobile financing business is, "Which Is the Better Method of Financing—Direct or Indirect?" This question is not an easy one to answer as there are many factors to consider before arriving at a decision. The real answer is that both are good, both are satisfactory, and both are profitable if properly handled.

"Direct" financing by a bank means that the entire transaction is handled directly with the customer and money loaned to the customer to purchase an automobile. "Indirect" financing is the purchasing of contracts of sale from automobile dealers.

The comparative amount of direct and indirect automobile finance paper held by commercial banks can be seen by the following figures released by the Board of Governors of the Federal Reserve System as of April 30, 1957.

Automobile paper outstanding—
Indirect .... $3,713 million
Direct .... 2,313 million

The total automobile paper outstanding at that date by all types of financing agencies was $14,659 million which indicates that only about 16 per cent of all automobiles are financed on a direct basis.

In looking for the answer as to the type of financing plan to inaugurate, some of the factors to consider are location of the lending organization in relation to the territory to be serviced, amount of available funds or amount of funds that the bank wishes to invest in this type of credit, physical facilities of the bank, available personnel or ability to obtain proper personnel, relationships with automobile agencies, and local competitive factors in automobile financing.

If the bank has a comparatively limited amount of money to invest in automobile paper and/or wishes to build an extremely clean portfolio with a limited amount of collection problems and is located where it can attract a large number of borrowers into the bank, it will probably lean towards the direct type of financing. This type of financing lends itself particularly well to a small bank in a small community or to a large bank which has many branch offices located throughout a given territory. Direct financing is comparatively easy to handle as compared to indirect for the organization inexperienced in instalment financing. The first problem is the attracting of applicants for automobile financing which requires an advertising program, carried directly to the public, sufficient to create the flow of the desired amount of applicants.

The credits are normally handled and approved as any other loan application would be with proper liens being taken on the automobiles to secure the loan. Most organizations require insurance to mutually protect the borrower and the bank. The advantage of this type of financing is that the lending organization can be more selective in its extension of credit and the added advantage of having an opportunity to talk directly to the borrower tends to develop a better type of loan. However, it is to be remembered that with this type of financing the lending organization does not have a ready market for its repossessions and must dispose of them itself. Careful attention should be given to make certain that the amount of money invested in the automobile at no time exceeds the value of the vehicle on the used market.

If the bank wishes to build their automobile financing outstandings rapidly and if there seems to be sufficient available business in the territory to be serviced, their decision might be to go into the business on an indirect basis. Origination costs are probably less than in direct financing as no advertising is necessary to attract the individual customer. Indirect financing anticipates the dealer's financing needs will be completely serviced. This includes, in addition to the purchase of retail paper, the extension of wholesale lines to financing the dealer's new car inventory and the institution must also be prepared to advance credit on used car inventory as well as to consider capital loans made for operating purposes. This type of financing requires personnel experienced in this line for proper supervision of dealer activities. The principal customer becomes the dealer who must have a flexible finance agency as a tool to sell more automobiles. Retail credit policies cannot be as selective as under direct financing or the purpose of assisting your customer, the dealer, is defeated. It is often said that a financing agency is of no value except that of assisting the merchant to merchandise his merchandise. Greater collection problems are to be anticipated in indirect financing as a proper collection organization must be established to collect past-due accounts, make necessary repossessions and handle related delinquency problems. Usually, the paper is purchased from a dealer under some type of an agreement which establishes a dealer responsibility for the payment of the unpaid balance on a repossessed account. Such agreements may provide that a dealer will pay the entire balance on the return of the automobile to him, or they may contain variations, such as, repurchase if repossessed during the first six months, or full recourse during the first six months or any other type of agreed terms. One of the outstanding advantages of indirect financing under a dealer agreement is that the financing institution has a "home" for the automobile in case of repossession as losses on repossessions can be substantial if the cars have to be sold on the open market. As compensation for the risk taken by the selling dealer and for the work involved in originating the transaction, a portion of the finance charge is usually credited to a dealer reserve account at the bank. This reserve account is retained by the bank as a protection against losses on repossessions and is usually returned to the dealer as accounts are liquidated.

At the present time, all types of financing agencies seem to be competing for the available automobile finance business. This has had a definite effect on the conduct of the business and has been a great factor in the continued lengthening of terms and reduction of required down payments.

Standard requirements as to down

(Continued on page 19)

Consumer Credit, Its Present and Its Future

DR. HARRY BLYTHE

***Professor of Finance*, University of Washington, Seattle, Washington**

An address before the 43rd Annual International Consumer Credit Conference, Miami Beach, Florida, June 19, 1957

THE SUBJECT assigned to me is "Consumer Credit—Its Present and Its Future." I am not going to spend too much time in terms of its present, because I think the anatomy of its present is well known but I would like to use it as a springboard in terms of taking a hazy look at the future. I think as far as the present is concerned you are all aware of the fact that in the last decade consumer credit has experienced a remarkable growth, a growth which has outstripped virtually all other segments of our economy.

You all know that consumer credit has grown more rapidly than consumer income. It has grown more rapidly than all other forms of debt. Because of that spectacular and rapid growth we, in the consumer industry, as well as others who are related to it directly or indirectly, have played the guessing game periodically. Something happens and suddenly consumer credit spurts up a bit. Then we all start worrying about whether consumer credit is too high and we have a lot of talks about this, a lot of articles are written in newspapers and in magazines, trying to explain the growth of consumer credit. Eventually we reach a point where we develop new concepts and we satisfy ourselves that consumer debt is not out of hand. In the meantime, semehow consumer debt stops growing, the rest of the components of the economy begin catching up and it seems to be in a more reasonable proportion, but the trend certainly has been that each time, as the years go by, consumer credit seems to penetrate new highs.

Not only are we worrying about consumer credit but we are also worrying about all other forms of debt. We are worrying about the fact that mortgage debt is a little too high and we are worrying about the public debt, as we have for some years. We are also worrying about the great increase in state and municipal debt and to a certain extent there is also some concern over the debt that is being piled up by corporations. I suppose the most widespread statement which has led to developments to date along these lines was a statement Secretary of the Treasury Humphrey made just a few short months ago, something about the fact that if we continue piling up debt the way we are, we probably will have a depression which will "curl your hair" even if you are baldheaded. That led to a number of things in terms of trying to economize, in terms of Federal expenditures, but I want to be a little different and I will be frank. I am not being different just to be a sophist, to argue the other side of the story, but I am going to make my statement and try to defend it because I think that will present more problems in the future possibly than the question of whether our debt in all its forms, including consumer credit, is too high.

Debit Is Too Low

Frankly there are a band, and I list myself among that particular band, who are beginning to think that maybe the problem is going to be not that debt is too high but the problem may be that debt is too low. I will try to prove that. Do not attach any political connotations to anything I say because I surveyed a class of mine a few years ago and one student turned in a little piece of paper and he said, "You are a fine professor, you give an excellent presentation and you have mastery of your subject but there is only one thing wrong with you, you emphasize the Republican point of view." I got a statement from another student in the same class who made the same notes and the same comments to me and he ended up with the statement, "Your only problem is that you can't see anything else but the Democratic Party." So, I am a straddler.

To prove my point that we may have in the near future the worry that debt is not high enough, let me just say a few words first as introductory to that about debt itself. Now debt, as the song goes, is a two-faced worrisome thing. It is a Jezebel, it is a Jekyll and Hyde, it is one of the greatest economic contradictions and paradoxes that we have in the United States and Canada, or any other modern industrial country, because at the same time it is both a blessing and an evil.

Without getting too involved and without being carried away with economic semantics, let me explain why it seems to be a two-headed coin, both a blessing and an evil at the same time. First let us take a look at its blessings. Actually you can go on and on in terms of the blessings of debt but the functions of debt boil down to two assumptions. The first of these is that we need debt if we are going to expand production in terms of goods and services so that we can keep a growing population and a swelling labor force fully occupied. Debt in this particular connection is necessary simply because of this to have substantially full employment, to take these kids who are pouring out of our high schools and universities. The "prosperity babies" who are coming through and will swell our labor force is going to take a lot of investment in terms of plants, machinery, equipment and other facilities. Debt is necessary in order to facilitate that investment process, simply because in a modern economy the people who save and the people who invest, those who get into debt, are entirely distinct individuals and distinct groups. So for the savers, and we must have savings, we must have others who get into debt, who therefore will invest and utilize those savings and translate those savings not only in terms of industrial plants and equipment but also expenditures for consumer durables and for houses. So you need debt if you are going to keep an expanding volume of goods and services in a growing economy.

Secondly, we need debt for another reason and that is, after all, debt is the basis of our money supply. All debt directly or indirectly relates to our money supply. For example, the retailer who, whether he is using a revolving credit or budget accounts or charge accounts, or a combination of the three, will in-

(Turn to "Consumer Credit," page 18.)

How creative credit promotion helped open the largest suburban department store in the east

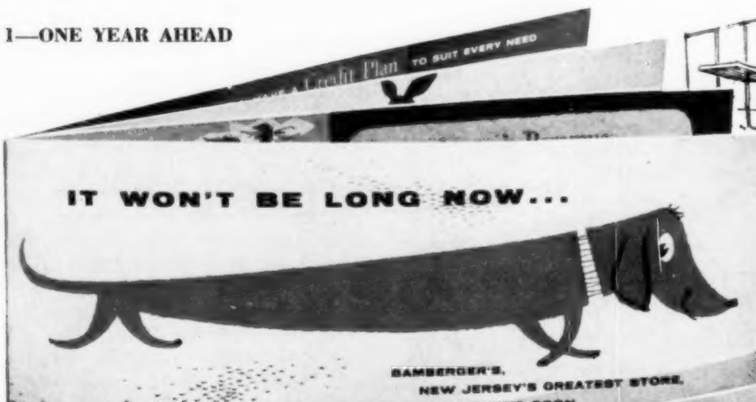
By GERALD GOLDSTEIN, Secretary and Vice-President
Bamberger's New Jersey

Northern New Jersey is peculiarly and primarily populated with families who have clung to their metropolitan shopping habits: suburbanites who were in the right frame of mind for Bamberger's Paramus and the neighborhood convenience of a major department store with its credit facilities. . . .

Prior to our opening the Paramus store, our 6th, these shoppers were not Bamberger customer material, due to their distance from other Bamberger stores throughout the state and limited transportation facilities. To develop customers from this 500,000 potential, we had to start from scratch. . . .

Here, and in the condensation on the next page, is a picture capsule of the promotional credit package created to help Bamberger's successfully open the largest suburban department store in the east. The campaign was aimed at regional charge potentials BEFORE the store opened. . . .

1—ONE YEAR AHEAD



2—SIX MONTHS AHEAD

1—ONE YEAR AHEAD WE SAID: "Paramus, meet Bamberger's." This 8-page booklet described Bamberger's as New Jersey's greatest store; dramatized facts, services and the selection of credit plans to be available in Bamberger's Paramus. *It won't be long now!*

2—SIX MONTHS AHEAD WE SAID: "Your Bamberger Charge Account is now open and you can use it *now!*" This 2-fold pamphlet, enclosing a temporary charge token, was mailed to applicants from north New Jersey, with an invitation to shop and charge in our other stores while waiting for Bamberger's Paramus to open. Teleservice shopping was explained and a list of numbers provided. *Welcome to the Bamberger family!*

3—FOUR MONTHS AHEAD WE SAID: "Now you have greater buying power—your credit is Flexible" *and* we made available to existing as well as new charge customers our brand new Flexible Charge Plan. In an accordion-fold paper-doll presentation we enthusiastically explained each advantage of the plan, including the payment chart. Colorful art and lively copy gave the plan an exciting personality. *You're a credit to the family!*

4—TWO WEEKS AHEAD WE SAID: "Here's your permanent Bamberger Charga-Plate. Bamberger's Paramus opens in just a few days." This 4-page brochure contained the token and offered answers to questions about the Charga-Plate and charge accounts. *Get ready . . . get set . . . CHARGE!*

5—ON OPENING DAY

5—AND ON OPENING DAY AND EVER SINCE, WE'VE SENT THIS MESSAGE THROUGH SILENT INTERVIEWERS PLACED THROUGHOUT THE STORE: "Why not pick the way you like to pay?" The 3 Bamberger credit plans were described, emphasizing our Flexible Charge Plan. Application form was attached to encourage shoppers to open accounts on the spot. *You're a credit to the family . . . when you provide for all their needs with a Bamberger Charge Account.*

4—TWO WEEKS AHEAD

3—FOUR MONTHS AHEAD

crease his receivables and eventually reaches some point where bank financing is necessary. The same thing is true with a trade creditor, a supplier who extends trade credit to his retailers, eventually, as his receivables mount, he has got to turn to his bank for financing. As a result, through the inception of debt among retailers, individuals as well as business firms, manufacturers, wholesalers, eventually have to turn to bank credit and as banks lend and invest in the process of so doing they create deposits and these deposits constitute by far the bulk of our money supply system. If our economy is to continue growing we are going to need a money supply which grows along with it because if we constrict or curtail that money supply too severely we may find that the prosperity and the boom that we are enjoying may soon turn into a recession and subsequently a depression. So we need debt for both of those reasons, to facilitate the production of goods and services and also to give us an expanded and a flexible money supply.

Virtues of Thrift

On the other hand, debt is evil and it presents a paradox on the evil side, and that is this: You hear a lot of talk at the present time that the old virtues of thrift have long since been forgotten, especially among younger people who are forming new families, that they have not the experience of the depression and as a result they want to start out the way their parents have left off. Instead of thinking of accumulating and then subsequently spending, they think first of spending and then trying to pay off.

Debt is a paradox in this sense; that while it is a virtue for the individual to be thrifty and while we all know that anyone who spends more than his intake or his income eventually faces a day of reckoning—a day that he will have to make payments or have to refinance his obligations, and it may be difficult to do that—we cannot all save. If we all, collectively, in the country decided to save on the net, the inevitable outcome would be merely this; we would cut down consumption, which means spending, and since spending was being cut down there would be no incentive to business concerns to build new plants, buy new equipment and machinery, expand inventories, that would also further curtail spending and the next thing that would lead to would be a reduction of income and that would lead to a reduction of savings, because we all save based on our income. As our income goes up, we save. As our income is reduced or contracted, we stop saving and so the paradox of savings, as well as debt, is that if we all tried to save at the same time it inevitably would lead to an actual reduction of savings, due to the reduction of income.

Using that as a springboard, let us see why debt possibly and credit, which is the other side of debt, may give us some problems in terms not that it is too large but that it may not get to be large enough. Projecting a bit and taking a look into the future let us move to 1965. That is a good round year and it is a good defensive year for me to take because it is nine years off and nine years from now you will not remember a word I said and if I am proved to be wrong it will not make much difference.

We know almost with a certainty how many people we will have in the labor force simply because by 1965 the people who will be in our labor force are already born so we do not have to guess on that. We have a pretty good idea of how many will die before they reach labor-force age and so we know with a close approximation that by 1965 we will have a labor force of about 80 million and it could be a little bit larger if more women decided to enter the labor force. Eighty million in terms of a labor force would make it approximately 10 million larger than it is now. Now what does it take to take 80 million people and to provide them with jobs? We cannot provide 80 million jobs but let us say can we possibly provide 78 or 79 million. We will always need a million or a million and a half unemployed as they change or switch jobs. Now what is it going to take to keep this labor force fully occupied and fully employed? If you make these assumptions; if you assume that we have no price increases; you also make the assumption that we are going to have a slight shortening of the work-week (and we are already starting to talk about this), and you make the assumption that efficiency in production will increase the way it has in the past at an annual rate of about two per cent, then your estimates will come out rather roughly that we are going to need a total current production of goods and services somewhere between 550 billion to 600 billion. Some of the forecasters are on the low side of 550 billion, others are on the high side of 600 billion.

Price Increases

That is a large figure and merely means the value of goods and services currently produced in the United States in a single year. That is based on 1957 prices, and there will be no price increases. If we have price increase it of course would go considerably upward because it would be inflated by those price increases. If we start off with that sample figure we need then, let us say, roughly around $600 billion in terms of goods and services. Here is another interesting thing about this output of goods and services. Go back and you take every prosperous year in our history and you find something which remains unchanged. I have gone as far back as 1900; I have tried to take the prosperous years and I have stricken out the depression or downswing years. Now in your prosperous periods debt goes up and one of the paradoxes we have already said about debt is that it seems that the larger debt goes the more prosperous the year.

Now in those prosperous years we have had a debt which was not quite twice the amount of goods and services that we produced. Actually it works out to about 1.8. In 1956, a prosperous year, our country turned out goods and services valued at $412 billion. At the same time there was a debt, and that includes Federal and State and Municipal debt and the debt of consumer and business concerns of $684 billion to an excess of $1,000 billion or one trillion dollars, roughly an increase of $400 billion and that is a conservative figure.

Where are the debtors going to

(Continued from page 14)

payment and terms vary in different sections of the country, with the Metropolitan areas generally extending more lenient terms than in other places. In New York Metropolitan area, financing of new automobiles for a period of 36 months is not uncommon and accounts for approximately 75 per cent of the new car paper written. Down payment requirements vary and are usually restricted by a determination of advance on the automobile compared to dealer's cost. Few institutions are advancing more than dealer's actual cost on dealer purchased paper, while this amount is reduced on direct paper. Although these terms appeared to be unsound at the time they were inaugurated, the experience in the liquidation of this paper has been satisfactory, it having produced a normal amount of delinquency and repossessions.

It is the writer's opinion that both types of financing can be equally profitable. Although the bank's rate of return is usually much higher on direct than indirect, because the direct type of business requires a larger staff to originate the transactions, requires higher loss reserves, produces a higher rejection ratio and, usually, produces a smaller amount of volume, the net return is greatly reduced and becomes comparative with the net return on indirect paper on the gross return. Much care must be taken and thought given to this question before a decision can be reached as to the proper type of financing which can best serve a given bank. ★★★

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come from? There are three possibilities to get your increase of $400 billion; first, the Federal Government; second, State and Municipal governments in borrowing, and third, business concerns and consumers.

Now let us make this assumption. Let us make the assumption that we decide that we are going to keep the Federal budget balanced from now until 1965 and we are not going to run any more public debt. The Federal debt is now $225 billion. From now until 1965 it remains $225 billion. Each year the current administration balances the budget. That means that the burden falls on State and Municipal government, on business concerns and individuals. As far as State and Municipal governments are concerned their portion of the debt is still relatively small and even if they have an increase which matches the increase in terms of the value of goods and services, it will only take around $17 billion of debt. In other words, what this means, without giving you too many figures, is simply that the burden; if the Federal budget is balanced the burden of going into debt then rests squarely on business concerns and on individuals jointly.

If they have got to bear the bulk of the increase, of this $400 billion more in debt that we will need by 1956, individuals, using them as a group, will have to go into debt twice as fast as their increases in income. The same thing is true of business concerns. The only way that this can be avoided is if the Federal Government were to run a deficit to carry its share of the necessary debt which must be created and we would have to increase our Public debt from about $225 billion to roughly $350 billion. We would have to run a deficit of about $125 billion in the next nine years. If this is done, then individuals and business concerns can maintain the same debt position that they now have relative to their income.

Political Pressure

Unless we have a war, and unless the political pressures change, as they currently exist it is almost unthinkable; unless we have an emergency such as a depression or a war it is almost unthinkable that we would enter into an unbalanced budget situation of this magnitude of $125 billion. So, the increased debt, will have to come out of the hides of individuals and business concerns. They will have to go into debt twice as fast as their increase in income. As a result it is going to make the current level of consumer debt, if we get it; and remember we have got to get it if we are going to have a fully employed economy; it is going to make the current level of consumer debt look somewhat puny by comparison.

It is one thing to say what we have got to get, it is another thing, however, to ascertain whether we will actually get it. One of the problems that raises some concern is this; we have reached the point where increases in consumer debt are going to be more difficult to achieve. We seem to have reached the point where the levels of consumer debt cannot increase much more rapidly relative to the amount of income that consumers earn. Let me just go down through a list of possibilities in terms of augmenting or increasing this particular debt and you can see that the possibilities are rather remote. We have skimmed off the cream and now we are going to have to do a much harder job in terms of credit sales promotion and the possibilities are not as lush as they once were. For example: And I will give you just a partial listing because predicting what is going to happen to consumer debt has been one of the most baffling variables in economics for the forecaster. This is one that he has not been able to pin down and so any slight change among these factors can cause considerable change in his predictions.

The Automobile

First, you had better take a look at the automobile. What happens to the automobile largely determines what happens to consumer credit, simply because automobile paper is roughly 50 per cent of total instalment credit. It is almost one-third of short term consumer credit of all forms. The question then is "Can you increase consumer credit because of the wider sale of the automobile relative to income?" The possibilities here are not too good. Here are some of the explanations: First; two out of every three people buying automobiles at the present time buy them on credit. That leaves one-third. Here is the one-third group in here that probably will not change, will not go to credit, simply because they are those income groups who prefer and desire and have the resources to pay cash. So the chances of trying to convert more automobile buyers into credit buyers is rather remote. We have reached a pretty high "high." We might be able to go from two-thirds to 70 per cent possibly but that does not give you too much of an increase. Second, the stretching out of terms. We seem to have come to some sort of an impasse on terms. We can increase automobile credit by reducing down payments and stretching out the maturities. We did that in 1955 and in large measure automobile sales boomed and we had a much larger and much bigger year than anybody could foresee. But in 1956 repossessions were much higher than they ever were before. Automobile dealers, as well as financing institutions, were somewhat alarmed by this and unless lenders are willing to abandon the automobile as collateral then there is not much more that can be done in terms of stretching terms beyond let us say 20 per cent down and 36 months to pay.

(To be continued next month.)

CREDIT FLASHES

George F. Hilborn Promoted

George F. Hilborn, Jr., formerly division credit manager for American Oil Company, Newark, New Jersey, has been promoted to assistant general credit manager in the company's general office in New York. A native of Portland, Oregon, Mr. Hilborn was employed by the City of South Portland, Department of Public Works, for three years before joining American Oil.

Addie R. Whitcomb Retires

After 56 years with the firm, Addie R. Whitcomb, Vice President and Credit Manager, White & Kirk, Amarillo, Texas, has retired. George H. Caulfield, Jr., Secretary-Treasurer of the firm since March 1956 succeeds Miss Whitcomb as Vice President. Nada Moorhead, assistant to Miss Whitcomb, will be Credit Manager. A Quarter Century Club member of the National Retail Credit Association, Miss Whitcomb now becomes an honorary life member.

Consumer Credit Conference at Columbus

The National Consumer Credit Conference will be held on the campus of Ohio State University, Columbus, Ohio, April 20, 21, and 22, 1958. The National Retail Credit Association is one of the co-sponsors of this conference.

New Honors for Al DeMarco

Mayor Randall Christmas, Miami, Florida, is shown below, on the left, presenting Alexander J. DeMarco official credentials as the Mayor's personal representative in welcoming visiting dignitaries to Miami. Mr. DeMarco who came from New London, Connecticut, in 1946 is the Public Relations Director for the Family Finance Corporation, a national concern with whom he has worked for 12 years. He has been active in the civic, political, and religious affairs in Miami for many years and at present he is First Vice President of the Greater Miami Retail Credit Association. He was chairman of the Publicity Committee for the International Consumer Credit Conference held in Miami Beach last June and has just been appointed to The Credit World committee representing District Three of the N.R.C.A.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the New Ocean House, Swampscott, Massachusetts, May 18, 19, and 20, 1958.

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) will hold a joint annual meeting in New York, New York, February 9, 10, and 11, 1958.

District Three (Florida, Georgia, North Carolina, and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, and Tennessee) will hold a joint annual meeting in Knoxville, Tennessee, April 13, 14, 15, and 16, 1958.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana, and Wisconsin, except Superior) will hold its annual meeting in South Bend, Indiana, February 16, 17, and 18, 1958.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting in Winnipeg, Manitoba, Canada, March 23, 24, and 25, 1958.

District Seven (Arkansas, Kansas, Missouri, and Oklahoma) will hold its annual meeting at the Marion Hotel, Little Rock, Arkansas, March 15, 16, and 17, 1958.

District Eight (Texas) will hold its annual meeting in Brownsville, Texas, April 12, 13, 14, and 15, 1958.

District Nine (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting in Glenwood Springs, Colorado, May 16, 17, and 18, 1958.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting in Portland, Oregon, May 17, 18, 19, and 20, 1958.

District Eleven (Arizona, California, Nevada, and Hawaii) will hold its annual meeting in conjunction with the 44th Annual International Consumer Credit Conference, Hotel Statler, Los Angeles, California, July 13, 14, 15, and 16, 1958.

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, and JULY 2, 1946 (Title 39, United States Code, Section 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF

The CREDIT WORLD, published monthly at Fulton, Missouri, for October 1957.

1. The names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, National Retail Credit Association....St. Louis, Missouri
Editor, Arthur H. Hert....St. Louis, Missouri
Managing Editor, Leonard Berry....St. Louis, Missouri
Business Manager, G. F. O'Connell....St. Louis, Missouri

2. The owner is: National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Missouri; Eldon L. Taylor, President, Glen Bros Music Company, Ogden, Utah; J. C. Gilliland, First Vice President, Pullman Trust & Savings Bank, Chicago, Illinois; David K. Blair, Second Vice President, H. Liebes and Company, San Francisco, California; Earl A. Nirmaier, Third Vice President, W. Wilderotter & Company, Newark, New Jersey; L. S. Crowder, General Manager-Treasurer, 375 Jackson Avenue, St. Louis 5, Missouri; and Arthur H. Hert, Assistant General Manager-Secretary, 375 Jackson Avenue, St. Louis 5, Missouri. No stock. Official organ of the National Retail Credit Association.

3. The known bondholders, mortgagees, and other security holders owning or holding one per cent of the total amount of bonds, mortgages, or other securitities are: None.

ARTHUR H. HERT, Editor

Sworn to and subscribed before me this 23rd day of September, 1957.

Mary E. Riordan

(My commission expires May 18, 1961.)

Keep Your Big Mouth Shut

Credit information comes to you in confidence. . . . This is basic. . . . If you do not thoroughly understand it, you are not entitled to receive credit information . . . whether you pay for it or not. . . . Never pass the buck to the Credit Bureau . . . or any other informant. . . . Never snitch. . . . Learn to decline credit on you own. . . . It is easy to tell your customer that you do not have sufficient current information to pass his credit . . . and ask for more time . . . more references . . . especially if your credit bureau report is several years old. . . . Ask the Bureau to bring the report up to date, and give the additional information to do it. . . . A customer with ailing credit several years ago may have found a cure for it . . . paid up all of his old bills . . . found the credit Fountain of Youth . . . and now has healthiest credit in town. . . . All credit reports are *dated*. . . . Your Credit Bureau will tell you the date of the information you get. . . . Never go off the deep end and use it as if it were current. . . . Do not tell the customer about the bills he owed . . . to whom . . . where the information came from . . . or you will find yourself . . . along with the Credit Bureau . . . defending yourself from an irate customer with a justifiable conviction that he should sue somebody . . . and *you* will be there . . . in court . . . waiting to testify . . . wasting time. . . . Records may show that the customer seldom wins . . . but you have lost a lot . . . including the customer. . . . Remember, when information is inadequate simply tell the customer that . . . and only that . . . pending further investigation. . . . Use tact . . . but above all . . . when it comes to the source of your information . . . KEEP YOUR BIG MOUTH SHUT.—Carle E. Dunford, Editor, *Miami Creditfield*, Greater Miami Credit Association, Miami, Florida.

Consumer Credit for August

CONSUMER INSTALMENT credit outstanding increased \$346 million during August to an estimated \$33,045 million at the end of the month. This compares with increases of \$649 million in August 1955 and \$347 million in August 1956. All types of instalment credit increased during the month. The largest increases were \$160 million in automobile paper and \$106 million in personal loans. Total short- and intermediate-term consumer credit outstanding increased \$516 million to \$42,881 million, \$3,003 million above the year-ago level. After allowance for seasonal variation, outstanding instalment credit increased \$270 million during August. Seasonally adjusted extensions of instalment credit during the month amounted to \$3,614 million while repayments amounted to \$3,344 million.—Federal Reserve Board.

Harold J. Crouch Joins Walker Scott

Harold J. Crouch has been appointed Credit Manager, Walker Scott Company, San Diego, California. He was formerly Credit Manager and Secretary of Kaufman-Straus Company, Louisville, Kentucky and served in that capacity for 16 years. He was a member of the board of directors of the Credit Bureau of Louisville and has been active in the National Retail Credit Association and the Credit Management Division of the National Retail Dry Goods Association.

Position Wanted

Credit Manager with accounting background. Over 20 years' experience in commercial, consumer, manufacturing and retail credit and collection work. References and résumé will be furnished on request. Box 11571, The CREDIT WORLD.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

SINCE NOBODY knows for sure what the future will bring, forecasting becomes pretty much a more or less valid "guesstimate." We take all the economic factors we can obtain, weigh them in the balance of past experience and project them, as well as we are able, into the future. Thus we chart our courses and make our plans.

Managers of credit sales are faced now with decisions of major importance. What is done this month and next will have a profound influence on the year-end balance sheet of the business. This truly is the critical time of the year.

There is no question about business being available. Employment is at an unprecedented high level. The majority of spending units in the nation are definitely "open to buy." Under the stimulus of Christmas, customers will buy and buy generously. The important thing is, are managers of credit sales sufficiently confident about the future to promote credit sales enthusiastically and vigorously or will they be content to accept merely the business that drifts in?

It all depends on the frame of mind of the manager of credit sales and also on the frame of mind of his top management.

To be sure we are not advocating irresponsible or careless extension of credit. Accounts receivable frequently represent the largest asset of the firm, often exceeding cost of merchandise. It would be suicidal for the credit executive not to use prudence in handling this great asset. On the other hand, it certainly would be unwise not to take positive measures to seek out those profitable credit sales that *someone* is bound to get.

Every manager of credit sales wears two hats, at least. One is his "protectional" hat and the other his "promotional" one. Right now he should be wearing his "promotional" hat. He should be devoting his major energies and most of his time strenuously developing credit sales to as many people as possible.

Send selling letters to new account prospects and reminders to inactive accounts that credit service is theirs to command. Take steps to make sure that every visitor to the credit office is warmly welcomed. Give encouragement to interviewers to suggest additional purchases when new accounts are being established. Develop credit plans that realistically combine ease of buying and convenience of budget payments. All these are part of the big job of *selling* credit.

Credit salesmanship must pervade the credit office. Credit has become an important part of the American "way of life." From being only the prerogative of the favored few it is now the right of the vast majority. From being a service, grudgingly offered, it is now a powerful tool for creating profitable sales.

We should remind ourselves that credit, among other things, does these:

1. Helps to secure profitable business at small increased expense.
2. Enables a merchant to compete with cash stores on service, rather than on price alone.
3. Attracts customers who want or need that service.
4. Personalizes business transactions and makes customers regard themselves as a part of the store.
5. Makes casual customers into regular customers.
6. Encourages concentration of purchases in one store, rather than scattering them over many.
7. Decreases price resistance and encourages multiple sales; the *two* instead of *one*, the higher priced item.
8. Brings traffic to the store and thereby encourages impulse buying.

Perhaps what we need most at this critical juncture in our economic life is more faith . . . faith in people, faith in the future, faith in the American credit system.

This Month's Illustrations

Illustration No. 1. Here we show four of the several printed collection notices used by Kresge, Newark, New Jersey. The name and address of the debtor is typed on the reverse side of the form and the only other fill-in required is the amount owing. All these are printed on good quality paper of a soft pink shade.

Illustration No. 2. One of several Postagraph forms used by Bamberger's, Newark, New Jersey. Here the only fill-in required is that of the name and address. The forms come already sealed. Speed and economy of handling make such forms most useful to a busy collection department.

Illustration No. 3. The Fidelity Union Trust Company, Newark, New Jersey, also uses printed forms for the early stages of collection follow-up. Here are shown a series of three such notices. These are attractively printed on good stock and color is used to differentiate them. No place is provided on the form for the debtor's name and address so an envelope must be typed. We are glad to note that the bank includes the telephone number on each form. This is so important. A debtor receiving the notice might well wish to call about the matter. When the number is given, time and effort are saved in looking it up.

Illustration No. 4. Here are two notices used by Earle A. Nirmaier, General Budget Director, W. Wilderotter and Co. Newark, New Jersey, Third Vice President, National Retail Credit Association. The interesting thing about these notices is that they come from the printer in sheets. The name and address of the customer are typed in. The first notice is printed on good stock in a delicate shade of blue . . . matching the message! The second is an unusual "thank you" type of notice. This is an excellent credit sales promotion item.

Remember? . . . (1)

Our previous statements of your account. The required payment has not as yet been received.

Your prompt attention will be appreciated.

———Regular Account . . Payable in full each month
———Budget Account . . $ due
———Deferred Account . $ due

Kresge • Newark

Thank you . . .

for the recent payment on your account which covers part of the amount due.

We do appreciate your cooperation and feel sure you will send an additional payment promptly.

———Regular Account . . Payable in full each month
———Budget Account . . $ due
———Deferred Account . $ due

Kresge • Newark

It is a pleasure . . .

to inform you that the limit of your Budget Account has been increased to $ Your new monthly payment will be $

Please notify us should you wish to charge purchases in excess of the above amount.

Kresge • Newark

The balance of your account is small . . .

but it has been owing for several months.

May we have your cooperation in the form of a prompt remittance.

Kresge • Newark
Credit Department

Please disregard this notice if payment has been sent.

Did YOU Forget? (3)

The payment on your loan with us is past due, and we are sending you this friendly reminder just in case the date slipped by without your realizing it. The terms of your note provide that a late charge may be made on any installment in arrears for more than 15 days. We, therefore, urge you to take care of this matter immediately.

Hereafter, remittance on the date specified in your coupon book will be greatly appreciated.

Fidelity Union Trust Company
BROAD, BANK and ACADEMY STS.
NEWARK, N. J.

IF YOU HAVE ALREADY SENT IN YOUR PAYMENT, PLEASE IGNORE THIS NOTICE.

SECOND NOTICE

According to the terms of your loan, a payment was due on ____________

You have not responded to our recent friendly reminder and your default now becomes more serious. If something has prevented you from making this payment, please get in touch with us in person or by telephone. Should your payment continue in arrears for more than 15 days from due date, a late charge will be made. Avoid this charge and protect your credit rating by mailing your payment at once.

Fidelity Union Trust Company
BROAD, BANK and ACADEMY STREETS
NEWARK, N. J.

THIRD  **notice!**

Repeated requests for settlement of your past due payment have apparently been ignored.

There may be a legitimate reason. Contact us by telephone or letter and let us know. You will find us most willing to help you.

However, unless payment is received or arrangements made for payment by____________, the loan will be referred to our Committee for final disposition.

Loan No.__________ Amount Due $__________ (including late charges)

Avoid jeopardizing your credit standing and protect YOUR interests by ACTING NOW

Fidelity Union Trust Company
BROAD, BANK and ACADEMY STREETS
NEWARK, N. J.

Bamberger's (2)
NEW JERSEY

NEW JERSEY'S GREATEST STORE   ONE OF AMERICA'S FINEST

DEAR CUSTOMER
OUR CHARGE ACCOUNTS HAVE ALWAYS BEEN CONDUCTED WITH THE EXPECTATION OF RECEIVING SETTLEMENT EACH MONTH FOR PURCHASES MADE THE PRECEDING MONTH

WE ARE SURE THAT THERE MUST BE SOME REASON WHY YOUR ACCOUNT HAS NOT BEEN PAID IF YOU WILL TELL US EXACTLY WHAT THE DIFFICULTY IS, WE MAY BE BETTER ABLE TO CO-OPERATE WITH YOU

WE DO NOT WISH TO ANNOY YOU WITH UNNECESSARY OR UNPLEASANT CORRESPONDENCE, AND WE ARE SURE YOU WILL APPRECIATE OUR POSITION IN SEEKING YOUR CO-OPERATION

L. BAMBERGER & CO.
DEPARTMENT OF ACCOUNTS

Are We Blue? (4)

Yes! That's just the way we feel when good customers like yourselves have not used their account. We have missed you and frankly are concerned. Isn't there something you may need at this time? Perhaps you have not visited the new departments that have been opened in our Store — a fine Jewelry Department and a new Clothing Department.

Every day this Store seeks to find ways by which to serve its customers better, because we are anxious to make shopping at Wilderotter's easier and more convenient for you.

So — — won't you please come in to see us real soon!

Cordially yours,

GENERAL BUDGET DIRECTOR

W. WILDEROTTER & CO.
"A NAME YOU CAN TRUST"
SPRINGFIELD & 18TH AVE., NEWARK, N. J. BI 2-0030
460 BLOOMFIELD AVE., CALDWELL, N. J. CA 6-1414
980 STUYVESANT AVE., UNION, N. J. MU 8-8070

We're Delighted

Dear Customer:

I recently went over our accounts and when I looked at yours I just could not help remarking about how nicely you are taking care of it.

That is why I am writing to you to say "Thank You" for your kindness in favoring us with your business. The prompt manner in which you are making your payments firmly establishes your credit at "WILDEROTTER'S."

Perhaps there is something you need at this time? If there is we can add it to your account without a deposit and at terms to suit your budget. (Perhaps we can add it without any increase in your terms.) Just any time we can be of service please let us know.

Do come in to see us. We would like to say "THANK YOU" in person.

Will you do that?

GENERAL BUDGET DIRECTOR

W. WILDEROTTER & CO.
"A NAME YOU CAN TRUST"
SPRINGFIELD & 18TH AVE., NEWARK, N. J. BI 2-0030
460 BLOOMFIELD AVE., CALDWELL, N. J. CA 6-1414
980 STUYVESANT AVE., UNION, N. J. MU 8-8070

Granting Credit in Canada

Consumer Credit in Business Today

HAROLD P. EVANS, M.C.I., T. Eaton Company Ltd., Vancouver, B. C., Canada

IN THE TEXTBOOK "Retail Credit Fundamentals," Dr. Phelps, the author said:

"It is evident that the modern widespread use of credit rears up an enormous debt structure—for the other side of credit is debt. If one abuses his credit by creating debt which he is unable to pay as agreed, it is apparent that the creditors suffer. But these creditors are debtors of still other people. And so the effect of a breakdown due to unwise credit control or lack of control, can spread in ever-widening circles.

"The retail customer or ultimate consumer is, in one sense, the key to the entire situation. As long as he buys and pays promptly the business system can function normally. When he does not buy, or pay promptly, or both, our economic world becomes maladjusted. The credit problem, in brief, is the problem of keeping debts from getting out of line with ability and willingness to pay."

There have been several advances or changes in the interpretation of a credit department during recent years. In the old days, and as a matter of fact, today, too, there are still some companies that operate their credit department as a bookkeeping section. They place a purchase on their books and receive payments from their customers, which are posted to the ledger in exactly the same fashion as a merchantile transaction.

Human relations are entirely overlooked in this method of bookkeeping, and the companies in the past have made no attempt to place an account on a personal basis. This leads to credit transactions being considered as a cold type of business. Human or public relations are being stressed more and more in up to date businesses. As the use of credit facilities is being expanded, it is becoming evident that it will be necessary to stress human relations. We will have to take a practical look at all portions of our credit transactions from beginning to end, and we will have to streamline them and make them as pleasant an experience as possible for each and every customer. When customers express a desire to purchase on credit, they should be made to feel that we are very glad to be able to help them.

Our staff and ourselves should make sure that we have removed all of the old-time stigma from the transaction. At no time should we indicate that it is necessary for the customer to buy "that way," or that they do not have "the cash" to pay for the merchandise. We should treat it as an entirely normal everyday type of transaction; and actually, that is exactly what it is. When our credit business increases because of this treatment, this attitude should grow with the business. This attitude should be a continual program, and whenever new staff is hired, this should be instilled into them as quickly as possible after their induction into the credit work.

Many consumers consider that they do not use credit, but actually they do have what are known as "open accounts." When goods or services are delivered or provided, it represents a credit transaction when an invoice or statement is sent at the end of the month. For example, some consumers do not consider that a telephone bill, an electric bill, a fuel oil bill, milk, bread, or newspapers, are a credit transaction. They are. Looking at credit from a professional standpoint, is should now become apparent that we are no longer a credit department, but rather, an important cog in the sales organization because it is a true selling department in every sense of the word. It is, however, selling an intangible item of service only. On many occasions, the selling aspect of the credit department comes under the heading of "closing the sale."

The salesmen may sell a customer on the features of the article, but the customer is still not sold until his name is on the contract and suitable terms have been arranged to the mutual satisfaction of the customer and the credit sales department. There is nothing mysterious about a credit transaction, but a number of consumers still view a credit sale as if it is some thing to be approached with awe, fear and trembling. If the average customer would only realize that they themselves control their own credit record and ability to buy on credit, then they would not be so reticent in requesting credit.

If credit men would take the time to impress upon customers that they are attempting to give the customer the type of credit accommodation and service they want, then much of this reticence could be overcome. At one time, credit executives were a pretty stuffy lot and did not encourage the customer in any way. The entire transaction was not treated as a pleasant experience; the credit personnel did not attempt to put the customer at ease, and in a lot of cases, did not even attempt to be cordial. That is one of the things that I do admire about some of the credit departments in Canada. They have educated the customer to expect credit facilities, and they go out of their way to explain different types of credit to the customer. A friend of mine once told me that the ideal credit transaction would be to have a customer come in, sit down, and tell him what they wanted to buy, and how they wanted to pay for it. He would like to grant credit on exactly that basis, and thus, both the seller and the purchaser have a meeting of minds. With such a meeting of minds, there can only be one result—complete satisfaction of both parties with such a friendly transaction. The majority of customers would fulfil the agreement to the letter, mainly because they were getting exactly what they asked for, and their sense of moral responsibility would cause them to do everything in their power to uphold their end of the bargain.

There is a lot of good thought in transacting business in this manner, and I can see that it would be a very friendly, courteous type of transaction. Regardless of whether a transaction is a credit one or otherwise, certainly courteous, friendly, and cheerful transactions of this type cannot fail to foster more goodwill and better understanding. The modern credit fraternity is doing everything to foster understanding of credit transactions; of credit operations and credit bureau records.

There is a continual program to "buy wisely" and "pay promptly" The Vancouver Retail Credit Granters' Association has been stressing for about a year now. And, we will be using this theme for some time, due to the fact that they are potent words. If customers buy wisely, it is assured that they will buy within their means; and if they consider the "pay promptly" part of it, then they will stay within their means of paying the account each month. They thus build up a prompt-pay record.

After all, credit is nothing more or less than the consumer's confidence in his ability to pay for what he buys; and vice versa, the seller's confidence in the customer to pay for what he buys. The majority of our credit customers do pay for their purchases without difficulty or inconvenience to either party in the transaction. It is, however, unfortunate that most of the controls, credit policies, collection policies, are set up to collect from the minority who sometimes have to be forced into paying their legitimate debts; and we must also admit that there are people in all financial brackets who do not like to honour their debts and promises to pay upon proper dates. Some of them let their accounts slide through carelessness; some through forgetfulness; and there are some who just don't like to pay accounts.

There are some customers who have a legitimate reason for not being able to pay their accounts, and most creditors are willing to assist them over difficult times caused by illness, unemployment, doctor's bills, and etc. A lot of these customers do have good credit records, and therefore, when they do hit an unexpected period of financial difficulty, a reputable credit organization will do everything possible to assist them. These latter cases are not considered too much of a credit problem, provided they do approach the creditor and state the reason they do not expect to be able to make their payments on time. It is when the creditor is left in doubt as to the customer's intentions that the difficulty arises.

There are many theories on credit, but it could all be boiled down to two words, "common sense."

If customers purchased according to their wants, needs, and ability to pay and the creditor authorized credit with common sense, and within the firm's ability to finance credit, then these transactions would be simple. Assuming that the transaction is an honest one on the part of all persons concerned, then we can also assume that the account will be paid as agreed.

Unfortunately, there are some people who do not use common sense, and therefore, the policies must be established. We can only accept accounts based upon certain standards. Human nature being what it is, we can only assume that when one person does not pay an account, we have to watch out for the next one. One of the most important claims for credit is improvement of the standard of living; and there is no doubt that used properly, credit can assist people in bringing them items of furniture, appliances, and so forth, more quickly than if they attempted to save the cash. It is also a fact that quite a few people are unable to save and accumulate money but they will accumulate assets by means of time-payment plans. Seemingly they can budget their money to pay specified payments each month, but are unable to put specified amounts into the bank each month. Again, this seems to be a failing of human nature.

We have all heard many arguments and discussions on instalment buyers—"living up to their incomes"—"having no money, otherwise they would pay cash"—"over their heads in debt, they owe everybody"—"have nothing they actually own"—"their only assets are the debts they owe"—and many similar derogatory observations. I am not going to decry against or protest against such remarks. Some may or may not be justified. Instalment buyers as a whole are exchanging their cash on a monthly basis for that amount of equity in the merchandise. Every dollar they pay increases that equity; and so their assets increase. The final instalment completes the transfer of the title to the buyer, who then has an additional asset. The picture is an equity in an asset during paying period, and on final payment, complete ownership of an additional asset.

In this way, many people are building solid assets even though they do not have much ready cash. And strangely enough, this does apply to almost all wage brackets from the lowest to the highest. The only difference is the value of the item being purchased; i. e., a cloth coat or a mink; a second-hand car; or a new Cadillac. Very few people consider open account debt. We read of the mounting outstanding instalment debt, hear and read the frightened comments, but never a mention that so many millions of debt represent the unpaid instalments on so many more millions of merchandise in other words, assets and equities owned by the individual customer. This side of credit buying is just as important to the economy of the country as cash buying. Actually, what is the difference? An article is manufactured and subsequently sold to a consumer. All through the various stages some form of credit is used. So why the spotlight on consumer credit? Probably because it is the final step in the sales picture.

The majority of instalment transactions do have a down payment, creating an equity at once. The really important things are:

1. The merchandise is manufactured (creating employment and profit).
2. Is sold step by step to retailer (creating employment and profit).
3. Is sold to consumer (creating employment and profit).
4. The consumer fills his need (and acquires an asset or equity in asset).

Credit simply helps all concerned to move the article to the consumer, actually keeping the flow of commerce moving smoothly, and creating new assets all along the line from manufacturer to wholesaler to retailer to consumer.

We are running into a new demand on credit at the present time, and it is a little difficult to reconcile the thinking behind the advice given to new Canadians. They are being advised that credit is the most important thing that they can have in this new country. I have encountered many new Canadians who are buying on credit instead of using their cash reserves. How this fallacy crept into today's business I do not know, but it certainly does not make sense that these new Canadians should expect companies to grant them large amounts of credit when they are not even established in the country. As a matter of fact, we have had some of these people come to us before they have even located a job. I agree that credit is important, but not to this extent.

A customer that pays cash as he goes along is establishing his credit simply by not using it. A man who is absolutely clear of debt is still a good credit risk. Another recent trend in credit sales promotion is the developing of techniques to induce and encourage the credit shopper to buy "more" merchandise on each trip to the store, in an attempt to eliminate expense in the handling of the customer's orders.

If, for example, a customer can do his complete week's shopping in one day, the delivery will only have to make one call at the customer's home, rather than on a day to day basis. And if a larger quantity of an article is ordered, then the cost of handling is spread over many articles, rather than a minimum number. Also, the work of making out sales checks and the handling of same throughout the sales audit and accounting departments is lessened. This technique, however, is of interest to the operator, and not to the customer, and of course, applies more to credit customers than to the cash customers. ★★★

Annual Meeting in Canada

The Credit Grantors Association of Canada will hold their annual meeting in Quebec City, Quebec, Canada, February 16, 17, and 18, 1958.

(Continued from page 9.)

Co-Chairman, O. J. Van Lander, John W. Thomas Company, Minneapolis, Minnesota.

7. *Chairman*, F. (Babe) Cialone, The Merchants National Bank, Fort Smith, Arkansas.
   Co-Chairman, O. V. Hinton, Public Service Company, Tulsa, Oklahoma.
8. *Chairman*, M. J. Kearney, Goldstein-Migel Company, Waco, Texas.
   Co-Chairman, J. D. Moore, Boswell Dairies, Fort Worth, Texas.
9. *Chairman*, John A. Ward, Lovelace Clinic, Albuquerque, New Mexico.
   Co-Chairman, Harold Lambert, Burton Lumber & Hardware Co., Salt Lake City, Utah.
10. *Chairman*, Carl A. Kilgas, General Petroleum Corporation, Portland, Oregon.
    Co-Chairman, Charles R. Buchanan, National Bank of Washington, Tacoma, Washington.
11. *Chairman*, Donnell V. Davis, Buffum's, Long Beach, California.
    Co-Chairman, L. G. Williams, W. & J. Sloane, San Francisco, California.
12. *Chairman*, E. E. Christy, Boggs & Buhl, Pittsburgh, Pennsylvania.
    Co-Chairman, Robert Goldman, Hahn Furniture Company, Pittsburgh, Pennsylvania.

Research

Chairman, J. C. Gilliland, Pullman Trust and Savings Bank, Chicago, Illinois.

District

1. William A. Reed, Kays-Newport, Providence, Rhode Island.
2. L. S. Somers, McCurdy & Company, Rochester, New York.
3. Clinton B. Gnann, Morris Levy's, Savannah, Georgia.
4. S. J. Nicely, Miller's, Inc., Knoxville, Tennessee.
5. A. R. Peterman, Cleveland Plain Dealer, Cleveland, Ohio.
6. C. F. Basler, Thos. Kilpatrick Company, Omaha, Nebraska.
7. Kermit W. Oakes, Emporia Retail Credit Bureau, Emporia, Kansas.
8. Carl Edward Bock, Calcasieu Lumber Company, Austin, Texas.
9. H. A. Thompson, Neusteter's, Denver, Colorado.
10. V. E. Rasmussen, Evergreen Cemetery Company of Seattle, Seattle, Washington.
11. R. M. Wylie, Weinstock-Lubin Company, Sacramento, California.
12. A. J. King, Kennard-Pyle Company, Wilmington, Delaware.

LOCAL ASSOCIATION *Activities*

Paducah, Kentucky

The new officers and directors of the Credit Managers Association of Paducah, Paducah, Kentucky, are: President, Norman B. Mills, Paducah Dry Goods Company; Vice President, Cloyd Barriger, Paducah Bank; Treasurer, Joaquin Seltzer, Peoples First National Bank; and Secretary, Mrs. Anna Mae Holman, Huggs Drug. Directors: Conrad Brewer, Citizens Bank; J. Paul Thomas, The Credit Bureau; and Thomas Wilson, Wilson's Book & Stationery Store.

Washington, D. C.

At the annual meeting of the Retail Credit Association, Washington, D. C., the following officers and directors were elected: President, Robert L. Marton, The Hecht Company; Vice President, Edward Cozzi, Woodward & Lothrop; Treasurer, Mrs. Edna Rothe, Suburban Trust Company; and Secretary, John Althaus, The Credit Bureau. Directors: Willie Albaugh, Old Dominion Bank; Beatrice Callahan, Lansburgh's; Chester Carter, Woodward & Lothrop; Mary L. Greene, The Mode; Donald O. Helsel, S. Kann Sons Company; Donald C. Simpson, Julius Garfinckel and Company; and Jack Warner, The Hechinger Company.

Ben C. Nance Honored

Ben C. Nance, Manager, Credit Bureau of Nashville, Nashville, Tennessee, was honored recently at a weekly meeting of the Nashville Retail Credit Association with a surprise birthday party. Over 35 attended including several of the past presidents. Shown below is a picture taken at the occasion. Left to right, are: Harvey King, Past President, Tennessee Adjustment Service; George Marshall, President, Sherwin-Williams Paint Company; Ben C. Nance; Sam Milliken, Nashville Gas Company; and L. L. Wright, Past President, Joseph Frank and Son. In addition to the gifts he received, each member present at the party gave him a birthday card.

Sedro-Woolley, Washington

At the organizational meeting of the Retail Credit Association, Sedro-Woolley, Washington, the following officers and directors were elected: President, John Higgins, Seattle First National Bank; Vice President, Fred Nelson, Fred Nelson Chevrolet; and Secretary-Treasurer, Dorothy M. Schoff, Credit Bureau of Sedro-Woolley. Directors: Earl Olson, Skagit Lumber Company; J. K. Walters, Mt. Baker Hardware Company; Ralph Willis, Willis, Rogers and Pearson Lumber Company; and E. L. Mohler, White Fuel and Transfer Company.

Minneapolis, Minnesota

The following officers and directors have been elected for the Retail Credit Association, Minneapolis, Minnesota: President: N. H. Dashiel, Jr., Northwestern National Bank; Vice President, K. R. Norrbohm, Credit Bureau of Minneapolis; and Secretary-Treasurer, C. A. Wildes, Credit Bureau of Minneapolis. Directors: Robert L. Johnson, Maurice L. Rothschild-Young-Quinlan Company; Vernon Olson, The C. Reiss Coal Company; Omar Hill, Boutells; Carl F. Gerber, Great Plains Supply Company; Robert Cutler, Paul A. Schmitt Music Company; Ellen Aasve, Marsh & McLennan; Clifford H. Cherry, Dayton's; Allen Hales, Powers Dry Goods Company; Don R. Rigsby, Marquette National Bank; and O. J. Van Lander, John W. Thomas & Company.

Seattle, Washington

At the annual dinner meeting the Retail Credit Association of Seattle, Seattle, Washington, elected the following officers and directors: President, Paul Hungerford, Seattle Trust & Savings Bank; Vice President, John V. Kingsley, National Bank of Commerce; Treasurer, Frank M. Walkup, Tidewater Oil Company; and Secretary, Myron T. Gilmore, Seattle Credit Bureau. Directors: Kenneth H. McClelland, National Bank of Commerce; Glen C. Legoe, Standard Oil Company; Robert E. Donnell, Hemphill Oil Company; and William M. Totten, Washington Mutual Savings Bank.

Miles City, Montana

The Miles City Retail Credit Association, Miles City, Montana, has elected the following officers and directors for 1957-1958: President, N. A. Lopez, First National Bank; Vice President, Dick B. Richardson, Park Standard Service; Treasurer, R. L. Wilcox, Miles City Bank; and Secretary, Frank T. Peterson, Credit Bureau of Miles City. Directors: Paul Doyle, Doyle's Pumbing and Heating; Don P. Miller, Farm and Home Appliance Company; Roy Provost, Provost Motor Company; George Fry, Garberson Clinic; A. W. Zander, Montana-Dakota Utilities; and Dr. Gerald Rowen.

Public Utilities

QUESTION

Should service be disconnected for non-payment when the customer is not at home?

ANSWERS

C. A. Burns, Credit Manager, Union Electric Company, St. Louis, Missouri: For many years it has been our practice to disconnect service even though no one answers our field man's knock or call. About 40 per cent of our service disconnections are made in this manner. If we were to leave the service on, call back repeatedly or after regular hours, the costs of this operation would be increased materially. Those increased costs would be borne by all our customers, and we feel this would be unfair to the vast majority who pay their bills prior to any collection action or to a field call. Our collection policy is very liberal. We do not take drastic collection action on the average residential account until three months in arrears. The meter has been read for the *fourth* month just a day prior to our first field trip. Before our field call we have made several efforts to get our money, including reminder and disconnection notice imprints on the bills, followed by telephone calls. When all of this time has elapsed and no payment has been received we think we have done all we can and service should then be suspended even though we do not find the customer at home when we call. This is not to say, of course, that we do not grant extensions where known circumstances indicate that is the proper course of action to take. All in all, any policy must be judged by results. We have not had any serious complaints from customers whose service has been disconnected when they were not present. Naturally they are not happy about such an occurrence, but this is likewise true of those customers who are at home when service is suspended. When we have had occasions to talk to the customers involved in the "not at home" suspensions, we have found an explanation of our collection action prior to the disconnection generally results in their agreement that the suspension of service was justified.

Francis T. Hager, Manager, Meter Division, Philadelphia Gas Works, Philadelphia, Pennsylvania: After sufficient notice has been given the customer by mail and/or personal calls to the house, and there is no indication either of willingness or capacity to pay, service should be discontinued. It should make no difference if entrance to the property is denied either by customer intent or absence from the property.

J. E. Malone, The East Ohio Gas Company, Cleveland, Ohio: The answer to this question cannot be given without a qualifying "Yes or No." Certainly there are times when such action is necessary to prevent a build-up of bills beyond the customer's ability or willingness to pay and which may eventually become a bad debt loss. Such action, however, requires careful consideration and the decision must be based upon the individual merits of each case. Generally, before such action is considered, the customer will have received at least two monthly bills, a mailed notice of disconnection if the bill is not paid, a personal notice left on the premises by a representative, and a possible telephone call. If the customer does not cooperate by making payment of the bills due, the service may be disconnected, but only after a last minute check has been made to determine if payment has been received or if there has been a change in the occupancy. I am aware of possible liability should the water pipe freeze and cause damage to the house or furniture, or food spoil in the refrigerator or deep freeze. On the other hand, the customer must assume some liability for non-payment of his bills and should not expect the utilities to carry him indefinitely. In the main, I would say that in some circumstances, service disconnection for nonpayment, when the customer is not at home, may be taken but only under special controlled conditions.

E. H. McClure, Credit Supervisor, British Columbia Electric Railway Company, Limited, Victoria, British Columbia, Canada: We occasionally disconnect service when the customer is not at home. Our experience is that many husbands and wives are employed and it is often difficult to find either at home. It is our policy to notify the customer personally prior to suspending service that payment of their account must be made by a specified date, and a notice of disconnection is handed to the customer by our credit representative. If, when making his call, the credit representative is unable to make a personal contact, a notice is left at the customer's residence or place of business in a sealed envelope requesting payment by a specific date; if no response is received from this notice after four days, a notice is sent by double registered mail to the customer. By using this type of contact, the notice is accompanied by a card which the mailman must have signed by the customer or an occupant of the dwelling, and this card is returned to our office by the Post Office. This assures us that our notice has been received by a responsible individual. We also make use of the telephone to notify any customer of a possible interruption of service. As we do everything possible to notify our customers personally prior to suspending service we feel we are justified in disconnecting for non-payment whether they are at home or not.

R. B. Mitchell, Superintendent, Credit Department, The Peoples Gas Light and Coke Company, Chicago, Illinois: This question is interesting—and it will always provoke discussion when utility Credit Men get together. There are a number of "ifs" involved to answer the question logically: 1) if your customer accounting records are correct, 2) if all payments have been posted up to the close of business the day prior to turning off

the gas service, 3) if ample notice of your intent has been properly served, and 4) if precautions are taken to determine that the customer who owes the bill, still occupies the premises. Assuming a positive answer to the four "ifs," then there is no reason why, in my opinion, the utility service should not be discontinued. To do otherwise would be unfair—customer at home would be turned off—customer not home, would not be turned off. Turning off utility service for a customer because of unpaid bills is a serious action that should be taken only as a last resort. In effect, you have stopped the customer's credit. If customers do not pay for the necessities; food, fuel, shelter and clothing, then no landlord or merchant will continue to extend credit without an adequate explanation or arrangement. We have followed this policy for years without unfavorable customer reaction.

Department, Apparel, and Shoe Stores

QUESTION

"It is our understanding that a number of stores have adopted a policy of adding service charges to past due monthly charge accounts. In general, how has this turned out?"

ANSWERS

Dean Ashby, Credit Sales Manager, The Fair, Fort Worth, Texas: This is under consideration for our store at the present time and we feel that it will be adopted sometime this year but have no experience to offer. I might mention that in a previous connection with the M. L. Parker Company, Davenport, Iowa, we were the only store who consistently made such a charge to overdue accounts and found it very helpful in maintaining a better turnover and collection percentage. Our experience was we collected 94 per cent of the amount charged to the account. This may be of some interest to you.

B. C. DeLoach, Credit Manager, Loveman's, Birmingham, Alabama: Our company adopted the policy of adding service charges to open accounts about 30 years ago. At that time we were adding one-half of one per cent per month on any unpaid balance that was 90 days old or older. We continued this policy up to about five years ago at which time we increased the charge from one-half of one per cent to one per cent per month. It was our feeling that this policy did encourage many of our customers to pay their accounts promptly and in addition we were able to show a profit at the end of the year as result of these charges. About two years we discontinued the policy of adding these charges on open accounts. It was the feeling of top management that it would not be wise to continue this in view of the fact we had the revolving accounts, and also since we have converted so many of the slow paying regular accounts over to the revolving accounts.

Miss M. A. Leleu, Credit Manager, Brown-Dunkin Company, Tulsa, Oklahoma: As of March 1, 1957 we established a policy of adding one and one-half per cent service charge on any outstanding balance which had already been billed twice. All payments and credits are deducted before the service charge is figured. We enclosed a notification with the January and February statements announcing this policy and at first many customers reacted unfavorably. However, they are now getting used to it and many have mentioned that they consider the charge very fair. Incidentally, our minimum service charge is 25 cents and we do not make any charge against any balance which would figure less than this amount.

L. S. Somers, Director of Accounts, McCurdy & Company, Rochester, New York: The major stores in Rochester have been discussing for the past few months the subject of adding a one per cent service charge to past due 30-day accounts. While no definite action has been taken up to the present time, it is felt that such a charge will be made by some of the stores on the fifth bill rendered after date of purchase. This should have a very desired effect upon collections and also add considerable to income.

W. J. Tate, Charles Ogilvy Ltd. Department Store, Ottawa, Canada: It has been the policy of the Ottawa, Canada, stores for many years to charge a service fee to past-due monthly charge accounts. Inasmuch as this was instituted as a city store policy at a time when government regulations did not frown on such procedure, there is today no adverse reaction to this charge. The rate originally was one per cent per month after 60 days past due and this has now been raised to one and one-half per cent per month.

Furniture, Electrical Appliances and Musical Instruments

QUESTION

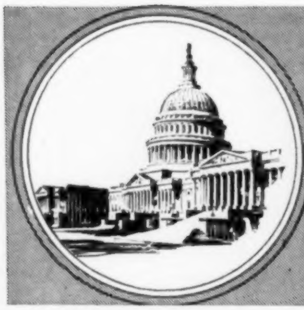
"How much Service Charge should be charged for financing customer instalment accounts for one, two or three years?"

ANSWERS

P. A. Howell, Hemenway's, Shreveport, Louisiana: This question was asked at our group meeting in Miami. Interest varies for different localities. The average service charge rate was a little less than ten per cent per annum. Here most retail instalment merchants get from eight and one-half per cent per annum to ten per cent per annum. We use a finance chart that we developed for our own organization. It is on a graduated scale. Purchases less than $100.00 are charged eight per cent. Purchases of $100.00 up to $200.00, nine and one-half per cent, then it gradually drops to eight per cent up to $1,000. Amounts over $1,000 are financed at six per cent per annum. The customer pays eight per cent for the first $1,000 and then six per cent all over $1,000. With the ever-increasing cost of operation, whether it is cash or credit, there is a possibility that our rate will be increased somewhat within the next twelve months.

E. E. Paddon, Manager Credit Sales, Lammerts, St. Louis, Missouri: With the tight money market it would seem necessary to increase the financing charge on budget accounts but certainly not to an extent that it would act as a deterrent in promoting instalment selling. We have in past years charged interest at six per cent where an account is financed for one, two or three years but we have increased our normal interest to seven per cent on accounts financed for one or two years. We are presently charging eight per cent for accounts financed through a period of three years. This difference in financing is based upon the additional risk that is incurred on accounts that are extended as long as three years. We realize the fact that profit is made in the financing charge but if the charge is too heavy is can easily tend to reduce instalment buying.

Roy E. Teter, Manager of Credit Sales, Jenkins Music Company, Oklahoma City, Oklahoma: We do not have a sliding scale in our Insurance Time Price Differential. There is a single rate regardless of the amount of time required by the customer to liquidate his contract account. In our Radio, Television and Major Appliance Department, we charge ten per cent per year on the original unpaid balance. In our Piano and Organ Department to individuals, we charge eight per cent per year on the original unpaid balance. Our service charge includes 100 per cent coverage for fire, tornado, windstorm, and damage by water or flood, also, life insurance on the life of the signer of the contract. These liberal features included in our contracts have proven very valuable to our customers, and have promoted much good will over our period of 79 years in operation.



Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Bankruptcy—The Administrative Office of the U. S. Courts in Washington reported 73,621 new bankruptcies in fiscal 1957, or 11,675 more than a year ago. From the following tabulation of bankruptcies by types of business, it will be noted that the great majority of the increase for 1957 over 1956 was in the category of employees cases—10,269 more "employee" filings in 1957:

Farmer	Employee	Professional	Others not in business	Merchants	Manufacturer	Others in business	Total
(For Fiscal 1956)							
400	48,784	212	3,824	3,155	730	4,981	62,088
(For Fiscal 1957)							
405	59,053	204	4,564	3,160	665	5,710	73,761

In another breakdown in the number of bankruptcies (by Chapters of the Bankruptcy Act) it appears that there were 11,549 Chapter XIII (Wage Earners' Plans) cases in 1957 compared to 9,535 in 1956. In other words, there was an increase of 2,014 wage earners' plans filed in 1957. Referring to the 59,053 filings for 1957 in the column headed "Employee," and to the 11,549 Chapter XIII cases for the same year, it appears then that the great majority of the "employee" type of filings were voluntary straight bankruptcies, to wit, approximately 47,504 cases. At the same time, a great majority of these cases filed in voluntary straight bankruptcy would be eligible for wage earners' plans, even without elimination of the jurisdictional "not exceed $5,000" of wages or salary, which the N.R.C.A. has advocated for the past several years. The substantially increased use of Chapter XIII—21.1 per cent more cases in 1957 than in 1956—does not indicate at all, however, that the benefits and advantages of wage earners' plans has become more widespread, since almost all of the increase occurred in the same judicial districts where the wage earners' plans have been successfully used for a number of years, namely, such areas as Birmingham, Alabama; Atlanta, Georgia; Memphis, Tennessee; and Kansas City, Missouri.

According to a recent bulletin of the National Association of Credit Men, the large increase in "employee" type cases "probably reflects rising instalment buying at the consumer level."

Controls on Consumer Credit—Citing the current record level of instalment credit outstanding as posing a serious inflation problem, Senator Joseph C. O'Mahoney, a member of the Joint Economic Committee of Congress, proposed that stand-by instalment credit controls "be revived as an antidote for inflation." Release, dated September 6, 1957, continued: "Our people are mortgaging their futures for things they cannot pay for now and some controls are needed to remedy this situation. The power to use the restraint formerly known as Regulation W, under which the Federal Reserve System could put a break on reckless buying, would introduce a note of caution." The release also cited, and impliedly criticized, President Eisenhower's Labor Day news conference on the ground that he "recognized the danger of inflation but asked only for voluntary action in combating it."

In commenting on Senator O'Mahoney's statement, as well as other similar Congressional sentiment recently expressed, the National Foundation for Consumer Credit, through William J. Cheyney, its Executive Vice President at Washington, gave the following factual data: "During 1955 instalment credit outstanding increased at the rate of $454 million, or 1.93, per cent, per month, compared with increases of $211 million, or .73 per cent, per month in 1956, and $132 million, or .42 per cent, per month during the first six months of 1957. Consumer prices, on the other hand, increased at the rate of only .03 per cent per month during 1955, compared with increases of .24 per cent per month in 1956 and .32 per cent per month during the first six months of 1957.

"Thus," the comment stated, "while instalment credit outstanding is currently increasing at about only one-fifth the monthly percentage rate recorded for 1955, consumer prices are rising at ten times the monthly percentage rate recorded for that year. It is of further interest that the price of consumer durable (the component of consumer prices most directly influenced by instalment buying) rose by only .54 per cent during the year 1956, compared with increases of 1.01 per cent and 2.38 per cent for nondurable goods, and services, respectively."

Trading Stamps Inspire Investigations—A number of governmental bodies, including the Senate Committee on Small Business, have taken a look at trading stamps. Items include: (a) The Senate Small Business Committee in its Seventh Annual Report, released February 1, 1957, comments: "During the year, your committee has received much information concerning trading stamps. The widespread interest in this subject and their constantly expanding use has caused your committee to follow these practices closely . . . an estimated 150,000 to 200,000 retailers are now using stamp plans and an estimated 40 million families are saving trading stamps." (b) The Department of Commerce published the results of a study entitled *Summary of Information on Trading Stamps*, BSB-182. (c) The Federal Trade Commission made a year-long investigation, inquiring primarily into the question whether stamp plans involved deceptive advertising; Commission has now stated that stamp plans in themselves are not an unfair method of competition. (d) The Agricultural Marketing Service of the Department of Agriculture has issued two reports in the past few months, namely, *Marketing Research Report* No. 147 (Jan. 1957) and *Marketing Research Report* No. 169 (May 1957) free upon request to U. S. Department of Agriculture, Washington 25, D. C. The last named report contains a complete bibliography of literature on the subject. ★★★

"FINANCING" *(Beginning on Page 8.)*

nographers in this department contact past-due customers by telephone or mail in cases where automatic printed notices fail to bring results. The more serious delinquencies are referred to field adjusters for home calls and collections, and these adjusters, on instruction of the desk collection men, respossess merchandise when the gravity of the delinquency requires it.

It goes without saying that one of the "secrets" of a successful consumer credit department has to be an efficient and hard-hitting policy of collection. Sound results in our state are indicated by statistics reported by 22 of the larger banks to the New Jersey Bankers Association. As of May 31, 1957, they show 30-day delinquency averaging only two per cent of outstandings and 60-day past dues averaging only a little more than one half of one per cent.

Finally, the wholesale financing of dealer inventories which is undertaken by our banks requires painstaking surveillance. Wholesale checkers visit dealer establishments on a schedule set by the Credit Manager to make certain that all the merchandise being financed by the bank is on the dealer's floor or in his warehouse. Each item is checked by serial number. In cases where sales are found to have been made "out of trust" the wholesale checker collects for the missing items and immediately reports his findings to the bank Credit Manager.

It is in this area of wholesale loans that banks incur their greatest exposure. The Wholesale Department must be constantly alert for possible changes in dealer sales methods or sales volume. Regular financial statements and trade reports are required. In addition, many of our commercial banks belong to the New Jersey Credit Men's Association, in which finance company, manufacturer and distributor credit men also participate. Periodic meetings of this group serve to forestall losses through an intelligent exchange of information on credit problems and trends.

In New Jersey as elsewhere the first half of 1957 witnessed a marked decline in the sales volume of almost all categories of appliances. This is considered in part to reflect the reduced number of homes being built, and it is also believed that consumers having stocked heavily in new applicances are now spending their money on other commodities. An upturn in appliance sales in the near future cannot be foreseen, nor does any responsible banker advocate the easing of terms to a point which would jeopardize the health of the economy.

While the volume of appliance financing may be reduced for the time being, it should continue to be an important activity of banks in the state. It has never been more essential, however, that it be managed efficiently. Conscious of rising costs of operation, we are constantly analyzing the position and performance of individual dealers, a necessary procedure if our Consumer Credit departments are to make the expected contribution to total bank earnings. In the appliance field today continuous vigilance, as well as thorough specialized training, are prerequisites to sound operation. ★★★

"PLEASURE CRAFT" *(Beginning on Page 12.)*

mended that no lender accept the policy with the amount of insurance lower than the agreed valuation of the boat. In financing used boats, obtain first the insurance survey for value; some boats may be determined to be non-insurable.

Like all other financing, the lender must take into consideration the depreciation of the item being financed. Boats generally depreciate at a far lesser rate annually than automobiles. A car may have a life expectancy of five years whereas a new boat, with reasonable amount of care, may be expected to be in service for 15 to 20 or even more years. Many boats may even appreciate in value over a period of time due to improvements made to the boat or because equipment has been added. The generally accepted rate of depreciation is 25 per cent for the first year, 10 per cent for the second and third years, and 5 per cent annually thereafter. Many boats are afloat today that are 15 years or more old and still have a value of 50 per cent of their original cost.

What does it cost an owner to operate a boat? Here there is considerable leeway if the boat is maintained by the owner or the work is done by a boatyard. Some basic charges, however, are essential to remember. The boat owner must carry insurance coverage, premiums annually for which presently average 5 per cent of the value of the boat. Summer mooring costs average from \$3.00 to \$5.00 per foot per season and winter storage, including taking the boat out of the water and putting it into the water, a like amount. In addition, consideration must be given to the cost of engine repairs, painting, varnishing and mechanical work as well as fuel and oil needed for cruising. The smaller outboard may burn one gallon per hour while the larger twin screw boat may burn up to ten gallons or more an hour.

It is recognized that the boating industry has entered a new era and has opened the broad field of investment for aggressive institutions. The need for adequate financing, both wholesale and retail, in this field is great and competition for this type of financing is not too great at the present time. Any bank desiring to set up a financing program should include in such program the financing of all types of boats and motors as well as a plan to cover repair and maintenance. Basic policy should include the type of program to be instituted, placing the responsibility for the administration of such program in an individual interested in the boating industry and with a thorough knowledge of instalment credit. Good care should be exercised in selecting and setting up dealers beaming the program to quality rather than quantity. Reasonable and realistic rates and terms should be established so that the purchaser's equity is enough to protect the bank against possible loss. Dealer floor-plan checkings are a must, the same as in any other type of financing. Lien instruments should be used and recorded or filed as determined by the lender's counsel. A boat financing program set up on an intelligent basis should prove very advantageous to the lending institution. It is a safe and profitable form of lending and will assist an expanding industry that has been pleading for help for sometime. ★★★

editorial comment

Los Angeles in 1958

THE INTERNATIONAL Consumer Credit Conference Planning Committee, composed of Mrs. Darleen Crocker, President, and Miss Geneva McQuatters, Executive Manager, Credit Women's Breakfast Clubs of North America, Bernard J. Duffy, President, and Harold A. Wallace, Executive Vice President, Associated Credit Bureaus of America, Eldon L. Taylor, President, and L. S. Crowder, General Manager-Treasurer, National Retail Credit Association, met at the Hotel Statler, St. Louis, October 7, 1957, for final discussion of arrangements for the 44th Annual International Consumer Credit Conference. Members of the Executive Committees of ACBofA and N.R.C.A. were guests.

The Conference will be held at the Hotel Statler, Los Angeles, California, July 13 through the 16th, where we have a commitment for 700 rooms. Overflow will be taken care of by the Biltmore Hotel, at which 100 rooms will be available.

Reservations will be accepted starting now but must be accompanied by registration fee. No hotel deposit will be required. Reservations will be accepted only through the National Office.

Registration fee will be $25.00 for delegates of ACBofA, CWBC of NA, N.R.C.A. and all others, with the following exception: Registration fee will be $15.00 for wives, children, members of delegates' families and personnel of businesses or professions having one or more full registrations. This also applies to members of CWBC of NA, other than delegates, provided the business or profession has a full registration.

Registration fees for all members of the family or Local Association groups must be paid at the same time if banquet table reservations are desired. Starting with the Los Angeles Conference table reservations will be assigned in the order received and banquet ticket will show table number assigned. This will eliminate the necessity of standing in line for opening of the Ballroom doors. The only requirement will be that all seats be occupied by 7:00 P.M., otherwise vacant places may be occupied by others and table reservations will be void.

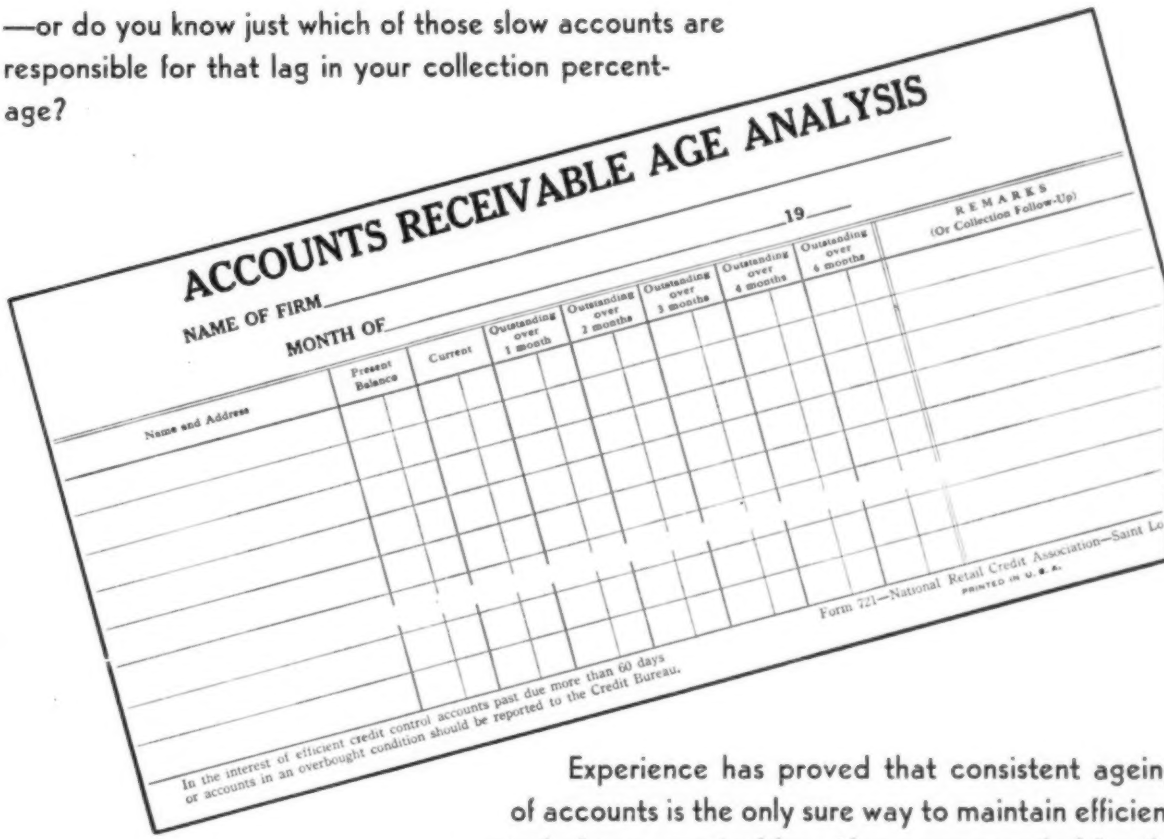
Plans are under way for an outstanding conference and attendance should be larger than usual, due to the fact that we are to meet in the heart of the vacation season and many members will be interested in visiting Los Angeles.

Plan early to be there and forward reservation and registration fee to National Retail Credit Association, 317 Jackson Avenue, St. Louis 5, Missouri.

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

Are You headed for trouble Mr. Manager of Credit Sales?

—or do you know just which of those slow accounts are responsible for that lag in your collection percentage?



ACCOUNTS RECEIVABLE AGE ANALYSIS

19___

NAME OF FIRM___

MONTH OF___

Name and Address	Present Balance	Current	Outstanding over 1 month	Outstanding over 2 months	Outstanding over 3 months	Outstanding over 4 months	Outstanding over 6 months	REMARKS (Or Collection Follow-Up)

In the interest of efficient credit control accounts past due more than 60 days or accounts in an overbought condition should be reported to the Credit Bureau.

Form 721—National Retail Credit Association—Saint Lo

PRINTED IN U. S. A.

Experience has proved that consistent ageing of accounts is the only sure way to maintain efficient control of your receivables. Also recommended for the following uses— • Collection follow up. • Account restrictions. • Trial balances in small stores.

Prices

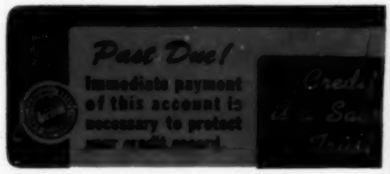
100—$1.50; 500—$5.00; 1,000—$9.50. Postage is extra.
Size 9½" by 12"

Another service of

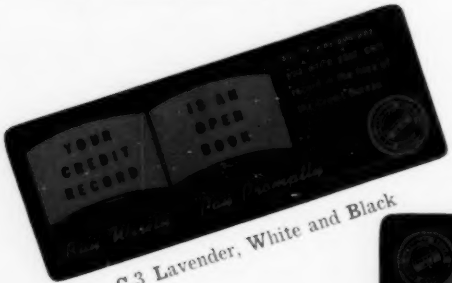
NATIONAL RETAIL CREDIT ASSOCIATION

375 JACKSON AVENUE   ST. LOUIS 5, MISSOURI

C-1 Yellow, Blue and White

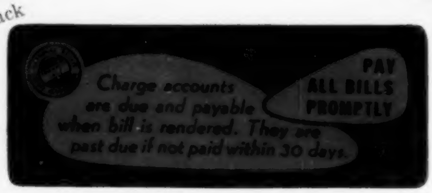


C-2 White and Black



C-3 Lavender, White and Black

C-4 Yellow and Black



C-5 White and Black

C-6 Red, White and Blue

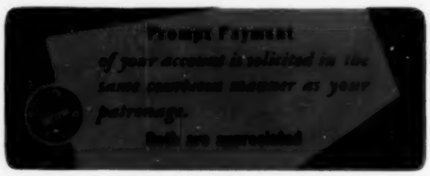
Stickers are shown at two-thirds actual size.

Prices are:

500	$2.25
1,000	4.00
1,000 (assorted)	4.50

Write today for free sample kit showing full line of these effective collection aids.

C-7 Chartreuse and Black



C-8 Red and Black

P-3 White and Blue

✓ *Check These Six Statements*

Mr. Manager of Credit Sales

and you must agree that by using N.R.C.A.'s new collection stickers, you will be assured:

1. That your customer will receive the collection notice early.
2. That time will be saved. Many more hundreds of accounts can be handled during the day.
3. That money will be saved by reducing cost of writing expensive form notices.
4. That collections will be faster. Customers pay the firm who makes the first request.
5. That sales will be promoted. Customer deals with the firm where her account is liquid.
6. That your customer will not object to an inoffensive yet persuasive reminder.

Another service of

NATIONAL RETAIL CREDIT ASSOCIATION

375 JACKSON AVENUE — ST. LOUIS 5, MO.